

Tennessee Tuition Policy: Analysis and Options



Prepared for Tennessee Higher Education Commission

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Executive Summary

This report provides recommendations on the Tennessee Higher Education Commission's (THEC) tuition policy, as well as the detailed background, data analysis, and findings that underlie those recommendations. It was prepared for THEC by the National Center for Higher Education Management Systems (NCHEMS).

State statute requires THEC to set binding limits on in-state undergraduate tuition and mandatory fee increases for all of Tennessee's public postsecondary institutions. In 2025, the Tennessee legislature amended the statute to allow THEC to set separate tuition limits for one or more individual institutions; previously, it was required to set a single statewide limit. This change in statute prompted THEC to revisit its methodology for setting tuition policy. The Commission sought NCHEMS' assistance in answering questions such as, "Should we limit tuition increases differently at different institutions?" and, more broadly, "How can tuition policy help advance state goals?"

This report assumes that, in addition to the goal of supporting institutions to carry out their educational missions effectively, THEC's tuition policy aims to further the following goals:

1. Support affordable access for students
2. Ensure financial sustainability for Tennessee's public institutions
3. Promote responsible stewardship of state resources

With those goals in mind, NCHEMS analyzed information on THEC's current process for setting tuition policy, and data on enrollment, revenue, expenses, financial health ratios, tuition, costs of attendance, and financial aid, which THEC and its institutions provided. We supplemented this local Tennessee data with public data that allows comparisons of Tennessee to other states and each Tennessee institution to a set of peers along relevant metrics. This analysis focused on the current status of affordability for students in Tennessee, institutional financial health, and stewardship of state resources. This report situates the analysis in the broader context of state policies and funding flows, and the interrelationships between them, to generate the following findings:

- In Tennessee, the state contributes a higher share of education revenue, and students contribute a lower share, than the national average. State appropriations have also grown faster than tuition revenue in Tennessee.
- Total education revenue, which includes state appropriations, student financial aid, and tuition revenue, is higher in Tennessee (per student FTE) than the national average. Additionally, most Tennessee institutions are financially stable as measured by operating ratios, though there are important differences among institutions.
- Although most of Tennessee's public institutions have higher published tuition and fee rates (for in-state undergraduates) than national comparison groups, Tennessee institutions' rates have generally grown more slowly, and average net prices (i.e., the cost of attendance minus all grant aid) in Tennessee are generally lower.

- Grant aid, plus a limited amount of student work, is enough to pay for full-time, in-state tuition and fees at all of Tennessee’s public institutions. The combination of grant aid and work is not enough to cover the full cost of attendance for students from lower-income backgrounds, who receive lower amounts of institutional aid than higher-income students at many Tennessee institutions.
- Each of Tennessee’s public institutions is different in its composition of students, revenue sources, and institutional aid awarding practices. This means that THEC’s tuition policy has uneven impacts on institutions’ behavior and financial health:
 - THEC’s tuition policy impacts institutions’ financial health and sustainability. Yet because it affects just one category of tuition and therefore only one source of institutional revenue, those impacts vary across the state’s public institutions, which have multiple revenue streams of varying magnitude. Beyond in-state undergraduate tuition and fees, these revenue streams include state appropriations, tuition and fee revenue that is not subject to THEC’s policy—out-of-state tuition, graduate tuition, and nonmandatory fees—and institutional capacity to raise and distribute financial aid from its own resources.
 - Although THEC’s tuition policy annually establishes an important base for student affordability, other factors also help determine what students actually pay to attend college. Increasingly important to student affordability is the role that grant aid plays in reducing students’ out-of-pocket expenses, especially state spending on student financial aid and institutional policies and practices for awarding grant aid.

In aggregate, the combination of higher education finance policies in Tennessee, including THEC’s tuition policy, appears to be producing reasonable results in terms of financial support for institutions and in limiting the burden imposed on student tuition payments to cover educational costs. A closer look reveals differences between institutions and among groups of students that suggest room for improvement, however.

Of particular concern is that THEC’s authority is relatively weak as a lever for ensuring affordability and (especially as a single binding limit applying to all institutions) as a complement to broader policies (appropriations, mission differentiation) that are essential for supporting thriving public institutions across the state. THEC’s attention to student affordability is too narrowly defined by and inadequately monitored through THEC’s authority to set a limit on published tuition prices for in-state undergraduates. In serving the public interest, THEC can ensure that the topic of student affordability is treated with the complexity and sophistication it deserves, even if its ability to directly influence the prices students pay remains limited.

There is opportunity to better align institutional practices with state policies, and state policies with one another, to improve further on THEC’s goals. This report’s recommendations address the narrow question of how THEC might adjust the way it exercises its limited authority over tuition, while also suggesting ways that THEC can more effectively support affordable access, institutional financial health, and the responsible use of state resources in alignment with state goals. We recommend the following:

1. **Develop a method for defining adequate funding levels.** To set appropriate tuition limits—or request appropriate amounts of state appropriations— THEC should assess how much total funding each institution needs to carry out its educational mission. Defining adequacy helps balance institutions’ needs for sufficient funding to meet Tennessee’s goals with the state’s desire to ensure taxpayer dollars are spent responsibly.
2. **Set targets for the division of instructional costs between students and the state.** These targets should differ by type of institution; they should be based on the aggregate amount of an institution’s discretionary revenue that represents the most appropriate mix of funding that should come from the state and from students, given that institution’s distinct mission.

Identifying both adequacy and student share goals will help promote policy alignment across funding streams, including tuition, state appropriations, and state financial aid. All three sources must work in concert to affect both adequacy and affordability; tuition policy cannot do this on its own.

3. **Require institutions to articulate a rolling multi-year plan for pricing and aid strategy, combined with future financial forecasts.** It is important for institutions to have multi-year plans for their pricing and aid strategy that are connected with projections for where they expect to attract enrollment and associated revenue, and for forecasting their financial health. Such plans will provide valuable context for THEC’s tuition policy setting and help the Commission understand how each institution’s pricing strategy contributes to affordability, financial sustainability, and other state-level goals.
4. **Adjust the tuition model used to identify suggested tuition ranges.** We recommend that THEC staff modify the tuition model to address some of its current weaknesses. The most significant of these changes is to set separate ranges for two-year, bachelor’s/master’s institutions, and research institutions. We also recommend several data adjustments that narrow the data used by the model to focus specifically on in-state undergraduates—the population impacted by tuition policy.
5. **Request additional data/reporting from institutions.** NCHEMS recommends that THEC staff regularly gather additional data or reports from institutions that will allow the Commission to assess, in more detail, how well institutions are balancing student affordability, institutional sustainability, and stewardship of state resources. The data should include tuition and fee revenue by student type and institutional aid by student income level and type. Additionally, THEC should assist institutions in standardizing their approach to determining Costs of Attendance.
6. **Create a robust application process with clear criteria for granting exceptions to the tuition policy.** THEC should create a process by which individual institutions can apply for exceptions to its tuition policy. The process and related criteria for those exceptions must be clear and objective. We recommend that these criteria be based on comparing each Tennessee institution to a set of nationwide peers on multiple metrics, including tuition revenue per FTE, state and local appropriations per FTE, published undergraduate tuition and fee rates, and net price. We also recommend allowing exceptions in a narrow set of

circumstances where an exception would enable the institution to better advance state goals. Circumstances that would qualify are enumerated in the report.

7. **Highlight how nonmandatory fees impact affordability.** THEC should require institutions to have a strategy for ensuring nonmandatory fees do not become a barrier of disproportionate size to low-income students.

Introduction and Background

The Tennessee Higher Education Commission (THEC) is the coordinating body for the state's public postsecondary education, including the 13 community colleges and 23 Colleges of Applied Technology that the Tennessee Board of Regents governs, the five universities of the University of Tennessee system, and six locally-governed universities. Since 2016, Tennessee state statute has required THEC to set binding limits on in-state undergraduate tuition and mandatory fee increases for all of these institutions. Historically, this authority required the Commission to set a single binding limit for all public institutions. In 2025, the legislature amended the statute to allow THEC to set separate tuition limits for one or more individual institutions, "if the commission determines that a separate tuition and fee policy for an institution is necessary based on the circumstances or needs of the respective institution."¹

This change in statute prompted THEC to revisit its methodology for setting tuition policy. The Commission sought to answer questions such as, "Should we limit tuition increases differently at different institutions?" and, more broadly, "How can tuition policy help advance state goals?"

To assist in answering these and related questions, THEC selected NCHEMS as its partner in examining these questions due to our track record of relevant experience. NCHEMS is a nonprofit postsecondary education research and advising organization that has experience in conducting related studies and an earned reputation for rigorous and independent work. Since 1969, we have focused on effectively using evidence to improve strategic decision-making in postsecondary education. NCHEMS has conducted multiple projects across the country related to funding models and the financial sustainability of public postsecondary systems. This experience puts us in a prime position to be helpful to THEC.

NCHEMS began this project by seeking to understand THEC's goals for its tuition policy. We reviewed the existing policy and methodology and met with multiple THEC staff members about THEC's tuition policy, particularly its history and changes over time. Apart from access and affordability, which are cited in THEC's policy manual in the "Scope and Purpose" section of the Commission's Tuition and Fees policy (F2.0), neither statute nor THEC policy specifies the goals that underlie THEC's exercise of its authority to set limits on tuition prices. At THEC's August 2025 work session, NCHEMS President Brian Prescott facilitated a discussion among the commissioners related to tuition policy. In that discussion, commissioners expressed support for a tuition policy that advances the following goals, while also supporting institutions to carry out their educational missions effectively:

1. Support affordable access for students.
2. Ensure financial sustainability for Tennessee's public institutions.
3. Promote responsible stewardship of state resources.

It is worth additionally noting that during the 2025 legislative session, the Tennessee legislature merged the Tennessee Student Assistance Corporation (TSAC), which administers the state's

¹ [Tenn. Code Ann. § 49-7-202](#)

student financial aid programs, into THEC. With this change, THEC became responsible for overseeing state financial aid expenditures, including increases in those expenses that result from tuition increases. The new responsibility of directing financial aid dollars creates additional incentives for THEC to pay attention to the goal of responsible stewardship of state resources.

With those goals in mind, NCHEMS analyzed data on enrollment, revenue, expenses, financial health ratios, tuition, costs of attendance, and financial aid, which THEC and its institutions provided. We supplemented this local Tennessee data with public data sources, including data from the State Higher Education Finance (SHEF) report prepared by the State Higher Education Executive Officers member association and from the Integrated Postsecondary Education Data System (IPEDS), the federal government's primary data collection on postsecondary institutions, that allow us to compare Tennessee to other states and each institution to a set of peers along relevant metrics.

As this report will argue, by itself, THEC's existing authority to set limits on in-state undergraduate published tuition prices is a weak lever for assuring these goals are met. It is modestly strengthened by the additional discretion THEC has received in being able to set multiple binding limits on how much published tuition will increase. But the reality of how student payments combine with state funding and other sources to support affordable access, generally and for students from different backgrounds, while also supporting institutions to carry out their missions effectively is far more complex than a narrow focus on published pricing for in-state undergraduates, and that complexity is growing greater as student demand shifts.

This report reflects the complexity involved in balancing the goals. It begins by providing an overview of THEC's current approach to exercising its tuition-setting authority. Next, it situates that approach within a broader conceptual framework that describes the flows of funding that underlie public postsecondary finance—the streams through which institutions receive revenue and their interrelationships among them. With that framework in mind, the report turns to comparisons of state funding approaches nationally and in Tennessee, with a special focus on the degree to which Tennessee's institutions are funded adequately in comparison to similar institutions nationally. Next, a review of enrollment trends among Tennessee institutions and how they differ—and more importantly, how those shifts in enrollment are related to institutions' ability to generate revenue and what they mean for how Tennessee institutions are differentially affected by THEC's tuition-setting policy. The subsequent section unpacks student affordability by assessing published tuition prices and their changes, and then factoring in grant aid that substantially lowers the actual prices students pay. Of particular interest in this section is the way in which institutions themselves provide grants to students—some of those grants represent actual revenue to the institution (when they originate with an institutionally affiliated foundation, for example), while others are better understood as price discounts that lead to reduced tuition revenues. The combination of these changes in enrollment, revenue, and aid practices speaks to student affordability but also provides glimpses into institutional financial health as well, with special concern for institutions that are finding it necessary to permit rapid growth in price discounts. After this comprehensive discussion of these topics, the report concludes with a summary of the key analytic findings and a series of recommendations intended to improve THEC's approach to tuition policy in ways that reflect the other factors at play.

THEC's Current Tuition Policy Approach

THEC's current approach to setting tuition-increase limits starts with a data-centered methodology. THEC staff estimate the revenue necessary for each institution to maintain the previous year's per-student-FTE funding levels, adjusted for inflation. The model incorporates enrollment projections, which are determined by sector (not individualized for each institution), as well as expected changes in state appropriations, which are largely driven by each institution's performance on outcomes-based funding metrics. The method then calculates the tuition increase necessary, factoring in approximate discount rates (which are based on historic values that are not updated), to meet those revenue needs.

THEC staff calculate these theoretical increases for the community colleges as a group, the TCATs as a group, and separately for each university. Commissioners review the calculations and use them to help set a single, binding, statewide limit on the percentage increase to in-state undergraduate tuition and a separate limit for in-state undergraduate tuition plus mandatory fees.

Observations on the Current Approach

The primary strength of the current method is that it offers predictability to the institutions. The tuition model used to inform the Commission's decision-making is well established and focuses on preserving the previous year's revenue per FTE. Although the Commission is not obligated to set its policy based on the model, the model creates a basis for decision-making that is transparent to institutions and the Commission. Any changes to the approach moving forward should seek to maintain these advantages.

The current approach also has a number of weaknesses. Most notably, it sets a single limit for all of Tennessee's public postsecondary institutions, yet those institutions' reliance on state support varies significantly; they have different capacities to generate revenue from non-state sources, including tuition revenue from both resident and non-resident students; and they have different dynamics between pricing, aid, and enrollment.

Furthermore, the current model does not disaggregate enrollment and tuition in any way, so it does not account for the fact that tuition prices, revenue, and discount rates are quite different for in-state, out-of-state, dual credit, and graduate students. THEC's tuition policy authority extends only to tuition and mandatory fees charged to in-state undergraduates. THEC institutions vary greatly by the extent to which they rely on that specific category of students for enrollment and revenue. Some of Tennessee's institutions enroll primarily in-state undergraduate students, and THEC's tuition policy has great power over their potential revenue. Other institutions enroll larger numbers of out-of-state and graduate students or have other sources of revenue, such as grants, auxiliaries, and nonmandatory fees, and therefore are relatively less impacted by the THEC tuition policy.

Additionally, the current method assumes that the previous year's revenue per FTE, after an inflation adjustment, is appropriate moving forward. Yet new or different programs and services that an institution plans to deliver to respond to changing workforce demands and other market conditions will not typically yield the same cost structure as in prior years. Similarly, shifting

demographics mean that institutions will need to adapt to the changing needs of the students they will serve in the future, which will also have an impact on the cost structure. Some of these changes may tend to lead to a reduced per FTE revenue target, and others would lead to a greater one. But THEC's approach leaves no room for the consideration of either possibility.

Moreover, the assumption that a prior year's funding level is sufficient for future years fails to account for the reality that some institutions are more financially vulnerable than others. It is possible that one institution's previous revenue-per-FTE is meager while another's is relatively generous. An institution with little financial cushion has less room to innovate, make strategic investments, or work to serve new populations than an institution with more financial flexibility. Conversely, it is possible for an institution to have room for greater financial efficiency and operate at the same level of quality and service with fewer resources. The current method does not attempt to define funding adequacy or correct for either of these scenarios.

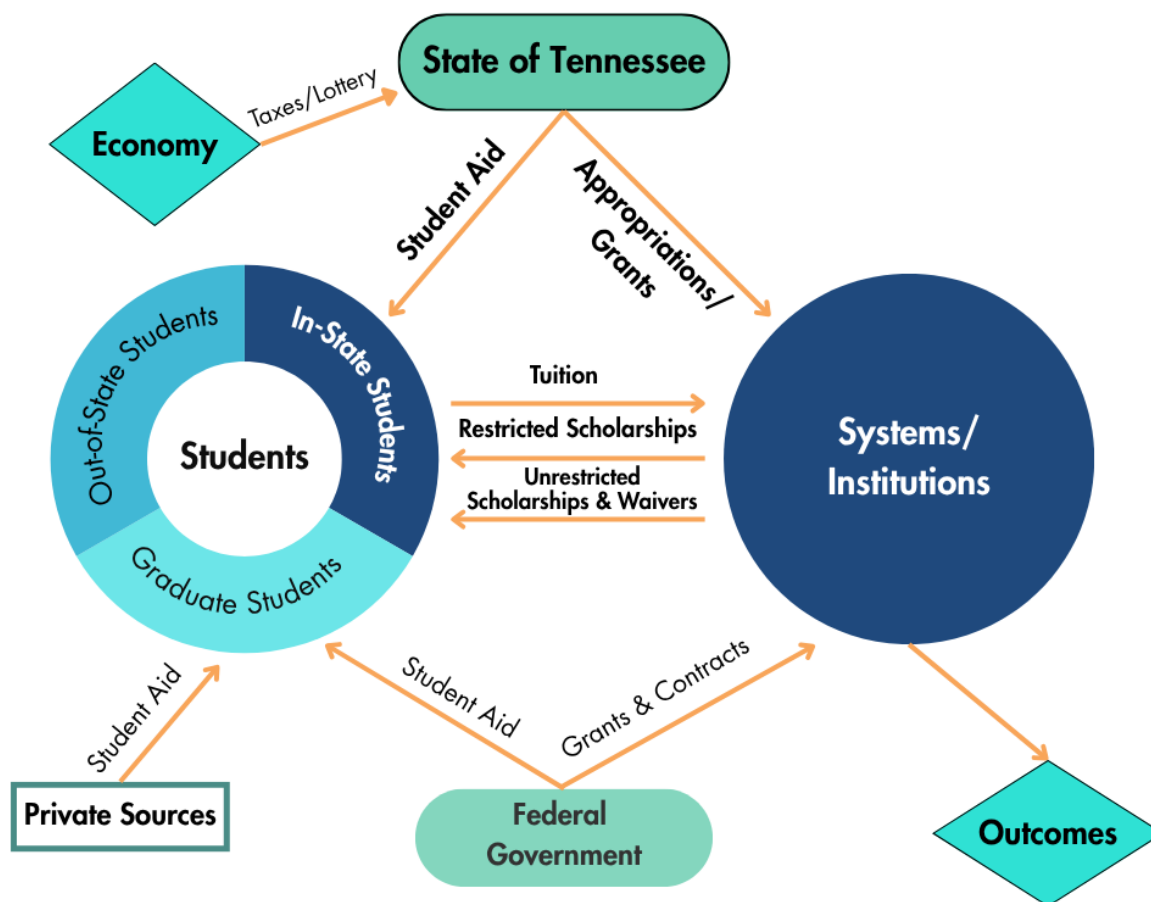
All of this means that the current one-size-fits-all THEC tuition limits impact the different institutions differently. The [Analysis](#) section of this memo explores all of these areas in more detail using data from Tennessee institutions. Our analysis also places tuition rates in context by making comparisons to out-of-state institutions and examining long-term trends. While THEC's current process provides Commissioners with some contextual data, including five-year growth rates by institution and general comparisons with neighboring states' tuition rates, this report provides additional detail that is relevant to Commissioners' decision-making process.

Another weakness of the current method is its disconnection from other key policies and goals. The goal of maintaining last year's funding levels does not necessarily advance THEC's priorities concerning student affordability, institutional funding adequacy, and responsible state spending. The method also has the potential to undermine the performance goals of Tennessee's Outcomes-Based Funding (OBF) formula, to the extent it allows institutions to use tuition revenue increases to offset funding losses associated with poor performance on OBF measures. This is possible because the model estimates future revenue (including the amount expected from the OBF formula) and allows for tuition increases to fill the gap between projected revenue per FTE and the previous year's revenue per FTE. If that gap is caused by worsening student outcomes, leading to a reduction in OBF funding, THEC-sanctioned tuition increases have the potential to insulate the institution from feeling any financial impacts from poor performance. Such tuition increases would also mean, essentially, asking students to pay higher tuition rates at times when the state judges the institution to have performed more poorly. The following section, "The Flow of Funds," explores the connections between different funding sources. Understanding these connections is useful background for ensuring that tuition policy works in concert with other policies—and associated funding sources—to advance state priorities together.

The Flow of Funds

Funds in public higher education flow between governments, institutions, and students in several interacting ways. THEC's tuition-limiting authority must be understood in the context of these relationships, which are illustrated in Figure 1.

Figure 1. The Flow of Funds



The state of Tennessee funds higher education through both appropriations to institutions and financial aid to students. Students pay tuition to institutions, and institutions reduce students' tuition payments via scholarships and waivers. Higher tuition rates mean that institutions may require less money in state appropriations, gain the ability to offer more student scholarships and waivers, and add expenses to some of the state's financial aid programs, many of which, including the Tennessee Promise, Reconnect, and the Dual Enrollment grant, do not have preset budgets. Conversely, lower tuition rates may lead to institutions requiring larger state appropriations to support their financial status quo, leaving less room for discounts, and costing the state less money in student aid through the Promise, Reconnect, and Dual Enrollment programs. In the case of financial aid programs that provide flat amounts per student, such as the HOPE scholarship, tuition changes do not directly impact the costs of those programs. However, increases in tuition reduce the buying power of those scholarships for each student, which creates pressure to increase per-student amounts of those programs.

Scholarships, aid, and waivers create a difference between the published tuition price and the amount a student actually pays, or the net price. Institutional aid also has a complex relationship with revenue. Some institutional aid is funded from restricted sources, such as donor-funded foundations. This aid, along with federal Pell grants and state financial aid, reduces the student's tuition obligation and still represents revenue to the institution (so long as the dollars provided

with that aid goes to cover tuition costs rather than non-tuition expenses). Other institutional aid is funded from an institution's unrestricted or discretionary dollars. This aid represents a discount to the student that the institution itself pays for, primarily using revenue sourced from state appropriations and tuition paid by other students. In other words, unrestricted aid is equivalent to foregone revenue. (An institution's overall "discount rate" is the percentage difference between its published tuition and the amount it charges the average student after this unrestricted institutional aid is applied.) THEC's tuition policy exerts some control over the published price; however, federal, state, and institutional policies greatly impact students' bottom-line net price.

As THEC seeks to advance multiple goals of financial sustainability, student affordability, the responsible use of taxpayer resources, and supporting institutions to carry out their educational missions, the commission will need to be attentive to these dynamics. THEC's tuition policy cannot achieve these goals in isolation; that policy must be aligned with other state, governing board, and institutional decisions to avoid either irrelevance or unintended consequences. For example, a restrictive tuition policy—one that imposes low limits on tuition increases—may be intended to preserve student affordability but may also create incentives for institutions to raise mandatory fees, reduce the aid they provide, or request additional state appropriations. A less-restrictive policy—one which grants institutions wider latitude to raise tuition if they choose—may be intended to help institutions shore up their financial health. Still, institutions that raise tuition may choose to reinvest additional tuition dollars into higher discounts instead of increasing their revenue.

There are possible advantages and trade-offs to either type of policy. Because of the relationships among state appropriations, financial aid, and tuition from different types of students, determining a tuition increase limit is more complicated than simply trying to balance student affordability with institutions' need to pay their bills. Some of the relative advantages to restrictive and permissive policies are summarized in Table 1.

Table 1. Relative Advantages to Restrictive and Permissive Tuition Policies

Lower Limit on Tuition Increases	Higher Limit on Tuition Increases
Maximizes predictability for students and families.	Prioritizes institutional financial health and sustainability.
Limits increases to taxpayer spending on state financial aid programs linked to tuition levels.	Limits increases to taxpayer spending on appropriations.
Exercises some modest, albeit indirect, control over institutional spending.	Provides greater flexibility for institutions to manage their own finances and enrollment to pursue their unique goals.
Encourages cultivation of other revenue sources (out-of-state students, nonmandatory fees, entrepreneurship, etc.).	Allows institutions to align tuition with peers or competitors.
Uses published tuition prices to convey messages about affordability to all prospective students.	Allows institutions to increase affordability for needy students or other priority groups through institutional financial aid funded by tuition increases paid by other students.

Analysis

Methods

Before recommending any changes to THEC's tuition policy, NCHEMS first sought to understand—through data—the existing conditions of enrollment and student affordability, as well as institutional revenue, expenses, and financial strength. We also compared Tennessee institutions to national peers for context and benchmarking.

THEC and its institutions provided detailed data on the following topics:

- Student revenue by source (tuition, mandatory fees, nonmandatory fees, grants and scholarships), student residency, and student level.
- Full-time tuition prices for in-state, out-of-state, and graduate students.
- Costs of attendance for undergraduates, including room, board, books/supplies, transportation, and personal expenses.
- Indicators of institutional financial health, including net operating revenues, primary reserve ratios, viability ratios, return on net assets ratios, and composite financial indicators.
- Headcount and FTE enrollment by residency and student level.

- Financial aid amounts and student counts by student residency, enrollment intensity, dependency status, family income, and source of aid.²

In all cases, THEC provided multiple years of data. Most of the data included fiscal/academic years from 2018-19 through 2023-24, although the availability of years varied by topic. In analyses that focus on a single year, we used the most recent year available.

Additionally, NCHEMS drew upon the following publicly available data sources for the purposes of comparing Tennessee to other states and each institution to other similar institutions:

- SHEEO's State Higher Education Funding data.
- IPEDS finance and enrollment data.

Findings from our analysis of these data are below.

Revenue, Enrollment, and Financial Health

State Comparisons

Key Insights

- ***State higher education appropriations per student FTE, including state financial aid, have grown at a slightly faster pace than tuition revenue in Tennessee.***
- ***The student share of higher education revenue is lower in Tennessee than the national average. Differences from the national average are larger in the two-year sector than in the four-year sector.***
- ***Per FTE, Tennessee's public institutions receive more tuition and fee revenue and more public appropriations revenue than the national average.***

SHEEO's State Higher Education Finance data allows us to view long-term state-level trends in public higher education funding from both students (through tuition and fees) and the state (through appropriations and student aid³). This provides insight into how the financial burden of funding Tennessee's public institutions is divided between students and the state, and how that balance may have shifted over time as tuition and state funding have increased at different rates.

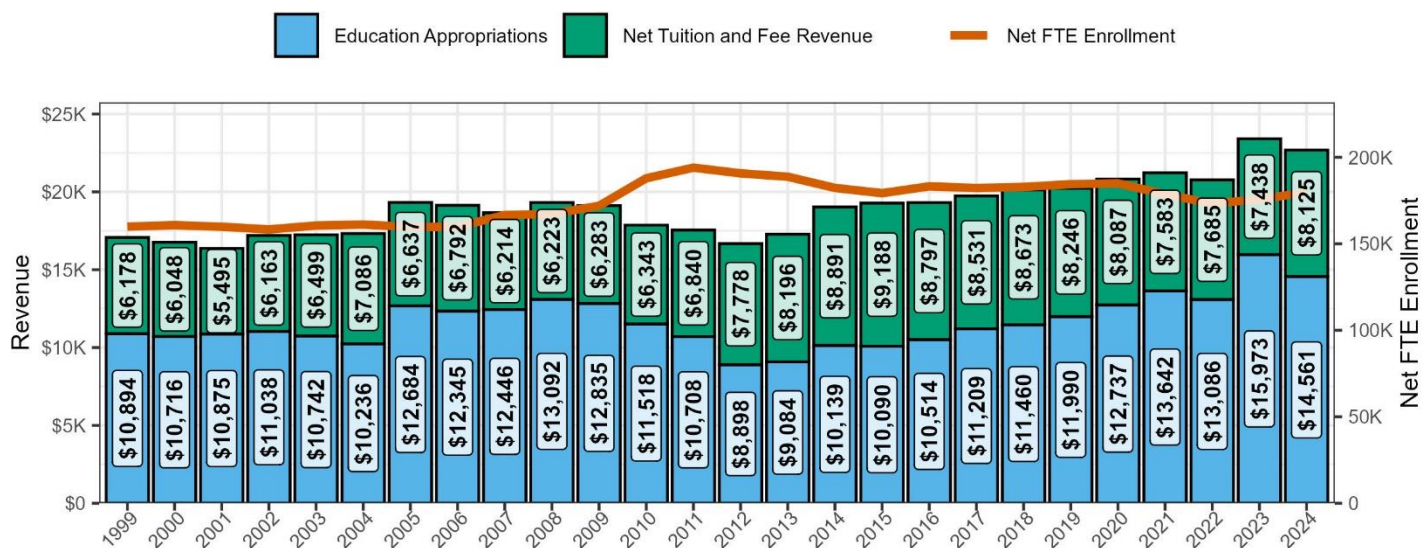
² Some of the financial aid data NCHEMS received from its request triggered cell-size limitations. When student counts were less than 10 at TCATs combined or Community Colleges combined, TBR generalized data in those cells as "<10." For our analysis, we substituted the number 5 into these cells. When student counts were less than 5 at UTK, UTK generalized data in those cells as "<5." For our analysis, we substituted the number 3 into these cells. This protects student privacy but leads to a loss of precision in some analyses.

³ Please note that Tennessee Promise endowment earnings are included in student aid funding.

As THEC considers its tuition policy, it is helpful to understand these trends and how Tennessee's revenue balance compares to that of other states.

Over the past 25 years, net tuition and fee revenue per student FTE at Tennessee's public higher education institutions has increased by \$1,947, or 32%, after adjusting for inflation. In the same time period, revenue from education appropriations per student FTE increased by \$3,677, or 34% (Figure 2). Although appropriations have grown faster than tuition revenue, the difference is not enormous, and the balance between revenue sources has not changed dramatically. The slightly faster growth of appropriations compared to tuition is not surprising, considering Tennessee's statewide focus on student affordability in recent years, as the state's large investments in the Tennessee Promise, Tennessee Reconnect, and other state-funded financial aid programs are treated as education appropriations in the figure below. It is important to acknowledge that, because "appropriations" include both direct funding to institutions and student aid in this data source, it is possible that these large, relatively recent increases in state-supported student aid are driving the increase in appropriations to institutions and system offices, rather than direct institutional support.

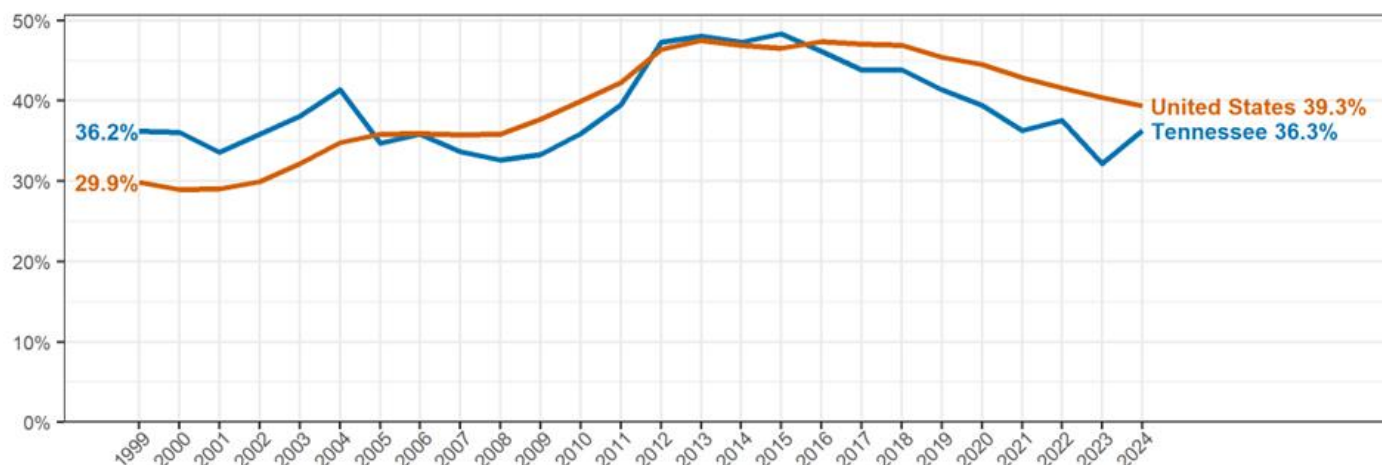
Figure 2. Tennessee Public FTE Enrollment, Education Appropriations per FTE, and Net Tuition Revenue per FTE Over Time



Source: State Higher Education Executive Officers Association. (2025)
State Higher Education Finance: FY 2024. Note: Values adjusted for inflation using HECA.

Tuition and fee revenue as a percentage of total education revenue—in other words, the student share—has fluctuated over time, but was nearly identical in 1999 (36.2%) and 2024 (36.3%). The national average, by contrast, increased from 29.9% to 39.3% over the same 25-year period, and the Tennessee student share has been lower than the national average since 2016.

Figure 3. Student Share of Total Education Revenue Over Time, Tennessee and U.S.

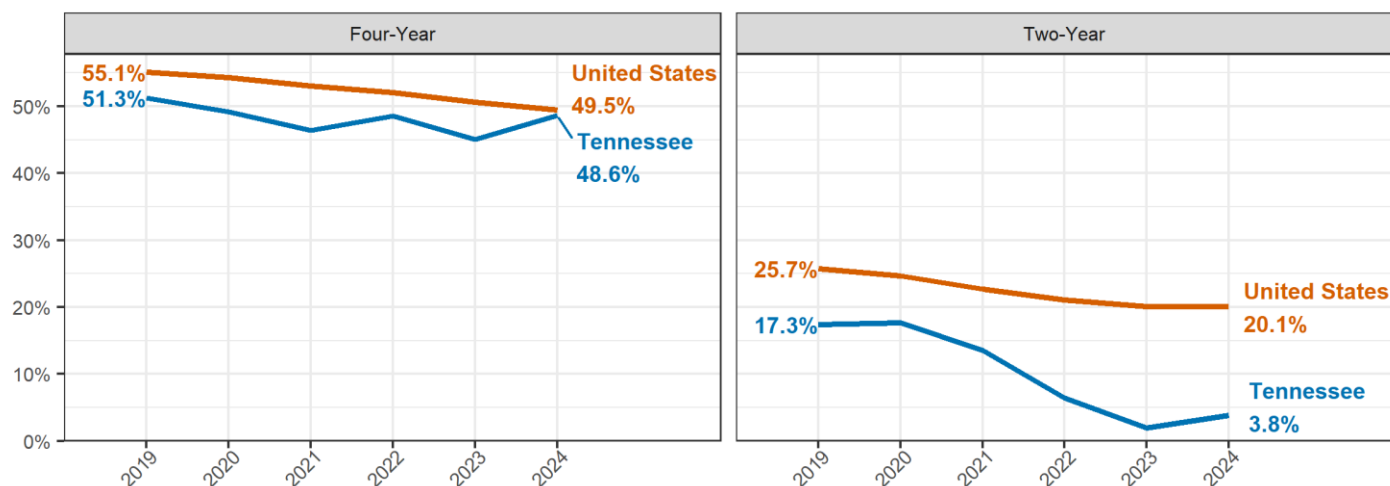


Source: State Higher Education Executive Officers Association. (2025)
State Higher Education Finance: FY 2024.

Tennessee's student share of revenue is lower than the national average in both four-year and two-year sectors, though the difference is much more pronounced in the two-year sector (Figure 4). The very low student share of revenue at Tennessee's two-year institutions is almost certainly due to the state's free community college and other financial aid programs, such as the HOPE, dual enrollment, and TSAA programs.

In 2024, in the four-year sector, Tennessee's balance between revenue sources was very similar to other states. However, it relied less on tuition and more on state support than the national average; the difference was small.

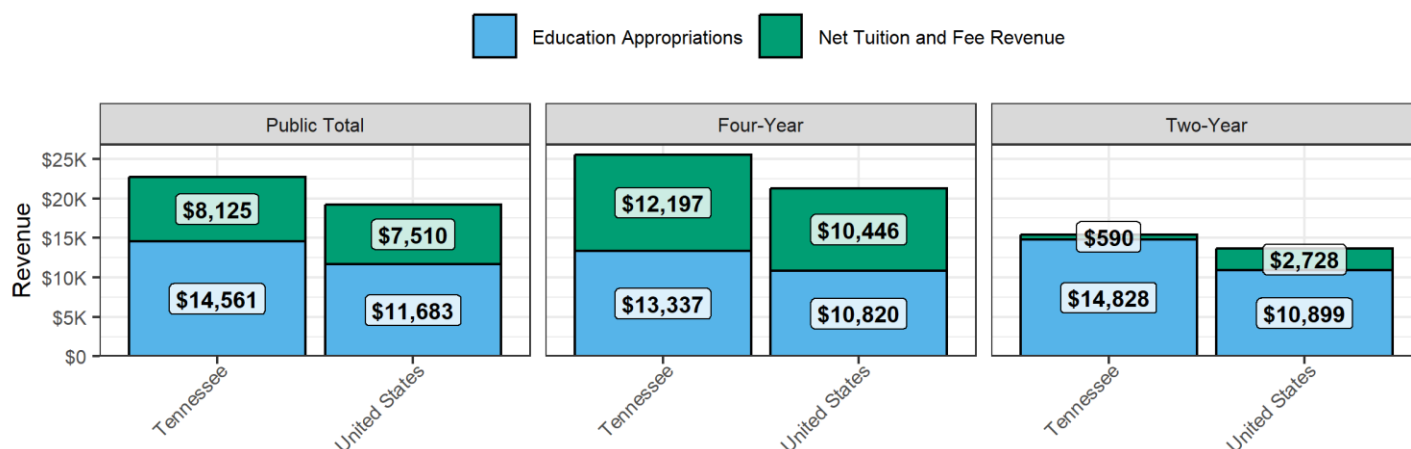
Figure 4. Student Share of Total Education Revenue Over Time by Sector, Tennessee and U.S.



State Higher Education Executive Officers Association. (2025). State Higher Education Finance: FY 2024.

Both overall and in the four-year sector, Tennessee’s public institutions generate more tuition and fee revenue *and* more public appropriation revenue than the national average (Figure 5). However, in the two-year sector specifically, Tennessee institutions receive higher amounts of public appropriations but generate much lower tuition revenue than the national average. This reflects the state’s efforts at ensuring student affordability at its two-year institutions.

Figure 5. Education Appropriations per FTE and Net Tuition Revenue per FTE, 2024, by Sector, Tennessee and U.S.



Source: State Higher Education Executive Officers Association. (2025)

State Higher Education Finance: FY 2024. Note: Values adjusted for cost of living (COLI) and inflation (HECA). Public total columns also adjusted for enrollment mix (EMI)

Total Revenue in Comparison

Key Insights

- ***Comparing each THEC institution to a group of its nationwide peers, we found that most Tennessee institutions received lower amounts of net tuition revenue per student FTE, and higher amounts of state appropriations, than their peers.***

In order to understand how revenue, expenses, and student affordability in Tennessee compare to institutions elsewhere, we compared each THEC institution to a large group of generally similar public institutions across the nation, as defined by Carnegie classification. These groupings are intended to compare institutions that have broadly similar missions and, therefore, cost structures and revenue requirements. More details on these groupings are included in the [Appendix](#).

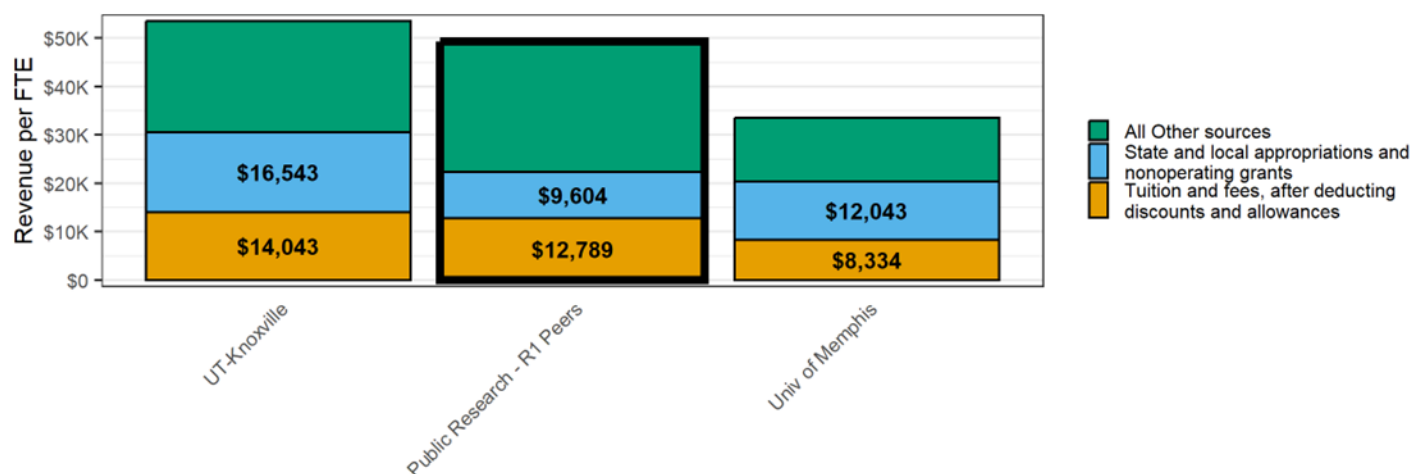
These peer comparisons can help THEC determine which institutions are outliers compared to similar institutions nationally in terms of tuition revenue and state appropriations per FTE. These comparisons can provide a general sense of whether overall funding levels at Tennessee institutions are likely to be adequate to carry out their missions, or whether adjustments to either tuition or state appropriations may be warranted. It is important to keep in mind that IPEDS data, used for comparison purposes, does not include state or federal financial aid as revenue.

Most of the THEC institutions received lower amounts of net tuition revenue per student FTE, and higher amounts of state appropriations, than the median of their respective peer groups in FY 2023, the most recent year of IPEDS data available (Figure 6; Figure 7; Figure 8; Figure 9).⁴ However, there were several exceptions:

- UT-Knoxville's tuition revenue per FTE was \$1,254 higher than the median of public R1 research universities.
- East Tennessee State's tuition revenue per FTE was \$702 higher than the median of public R2 and other research universities. It's possible this difference is related to tuition revenue from ETSU's medical and pharmacy schools, which are included in IPEDS data. It is likely that not all of the other institutions in ETSU's comparison group have equivalent units.
- Tennessee State's state appropriations per FTE were \$1,719 lower than the median of public R2 and other research universities. The 2023 fiscal year was an outlier for Tennessee State in terms of enrollment; the institution's total enrollment grew by 1,392 FTE (per IPEDS data) from 2022 to 2023, which significantly reduced its revenue per FTE. In the five previous years (2018 – 2022), Tennessee State's appropriations per FTE were higher than the comparator median. (TSU's enrollment shrank by 880 FTE from 2023 to 2024, bringing it back closer to its enrollment from prior years.)
- UT Southern's state appropriations per FTE were \$428 lower than the median of public Master's/Bachelor's universities. UTS did receive a recurring increase in appropriations of approximately 33% in the FY26 budget, which may close this gap.

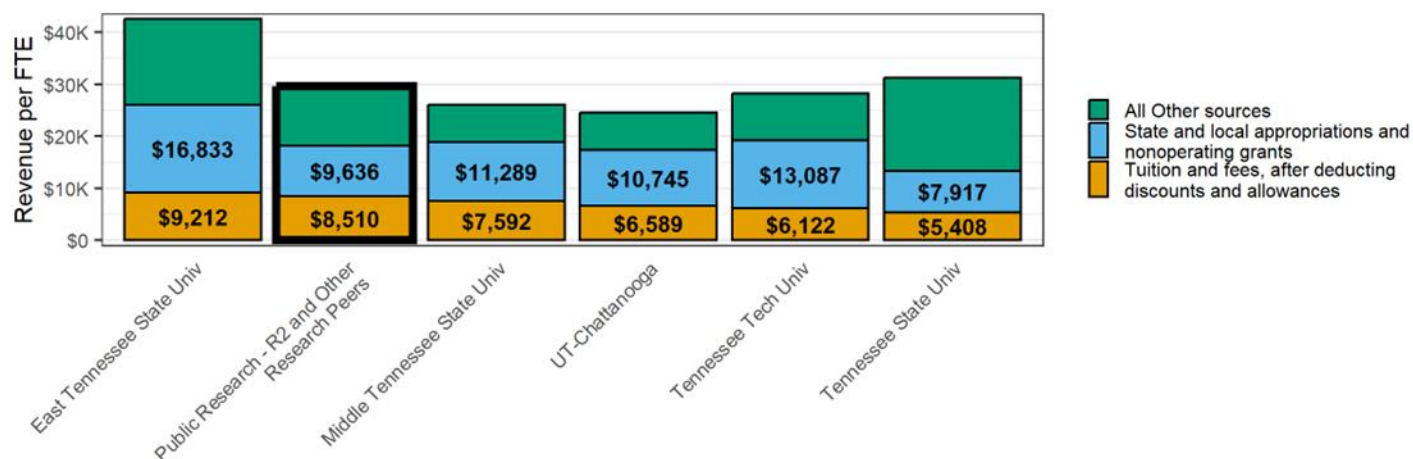
⁴ At the time of writing, FY2023 was the most recent year of finance data available in IPEDS. Please note that different data sources use different definitions of tuition and appropriations revenue, which is why conclusions in this section may be different from other sections.

Figure 6. Public Research University (R1) FY23 Revenue Per FTE, TN Compared to Peer Median



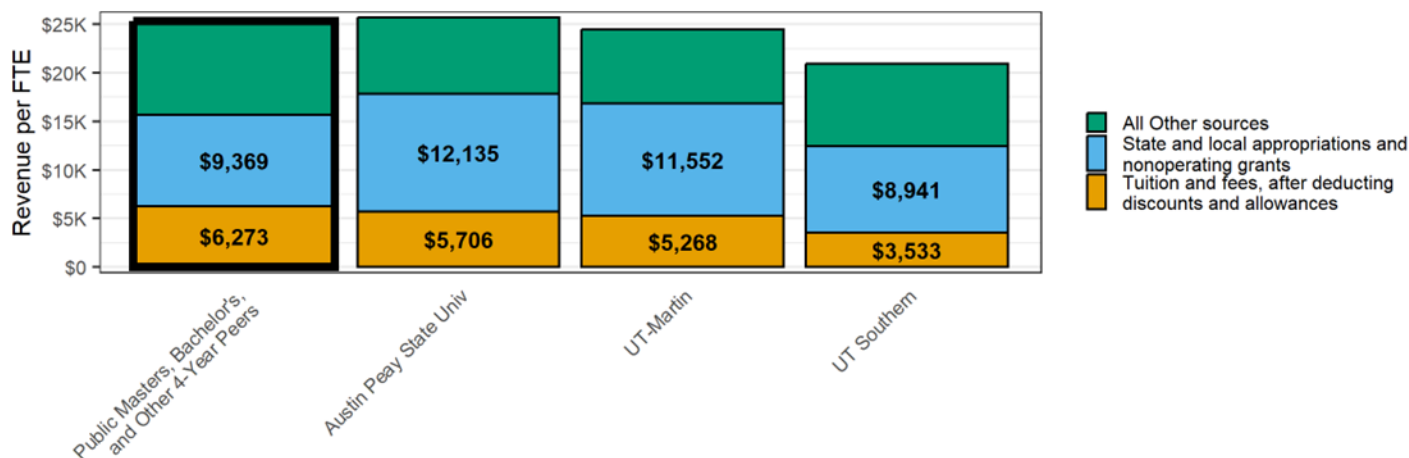
Sources: NCES IPEDS finance survey f2223_f1a and f2223_f2 files; IPEDS 12-Month Enrollment Survey efi2023 file. Note: Pell and other aid revenue is not included; it is considered an expense in IPEDS.

Figure 7. Public Research University (R2 and Other) FY23 Revenue Per FTE, TN Compared to Peer Median



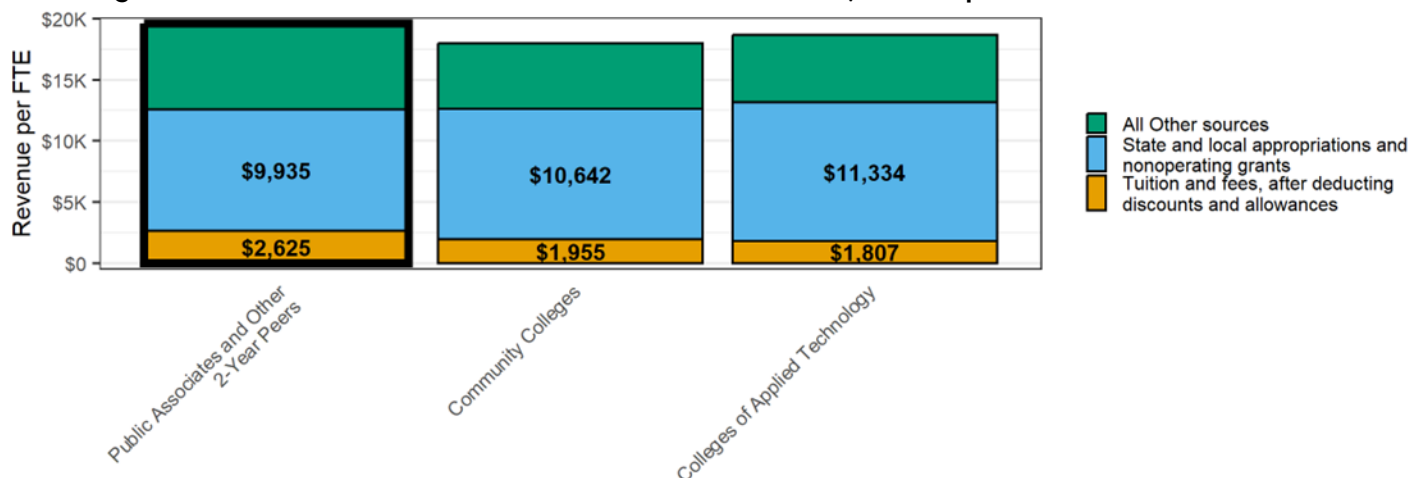
Sources: NCES IPEDS finance survey f2223_f1a and f2223_f2 files; IPEDS 12-Month Enrollment Survey efi2023 file. Note: Pell and other aid revenue is not included; it is considered an expense in IPEDS.

Figure 8. Public Master's/Bachelor's University FY23 Revenue Per FTE, TN Compared to Peer Median



Sources: NCES IPEDS finance survey f2223_f1a and f2223_f2 files; IPEDS 12-Month Enrollment Survey efia2023 file. Note: Pell and other aid revenue is not included; it is considered an expense in IPEDS.

Figure 9. Public Two-Year Institution FY23 Revenue Per FTE, TN Compared to Peer Median



Sources: NCES IPEDS finance survey f2223_f1a and f2223_f2 files; IPEDS 12-Month Enrollment Survey efia2023 file. Note: Pell and other aid revenue is not included; it is considered an expense in IPEDS.

Institutional Financial Health

Key Insights

- While Tennessee's public institutions are generally financially stable, none have consistently maintained net operating revenue at NACUBO's recommended level of 3% for more than five consecutive years.
- Tennessee State is the most financially vulnerable of Tennessee's public institutions. It is not clear that a higher tuition limit would help address its financial challenges.

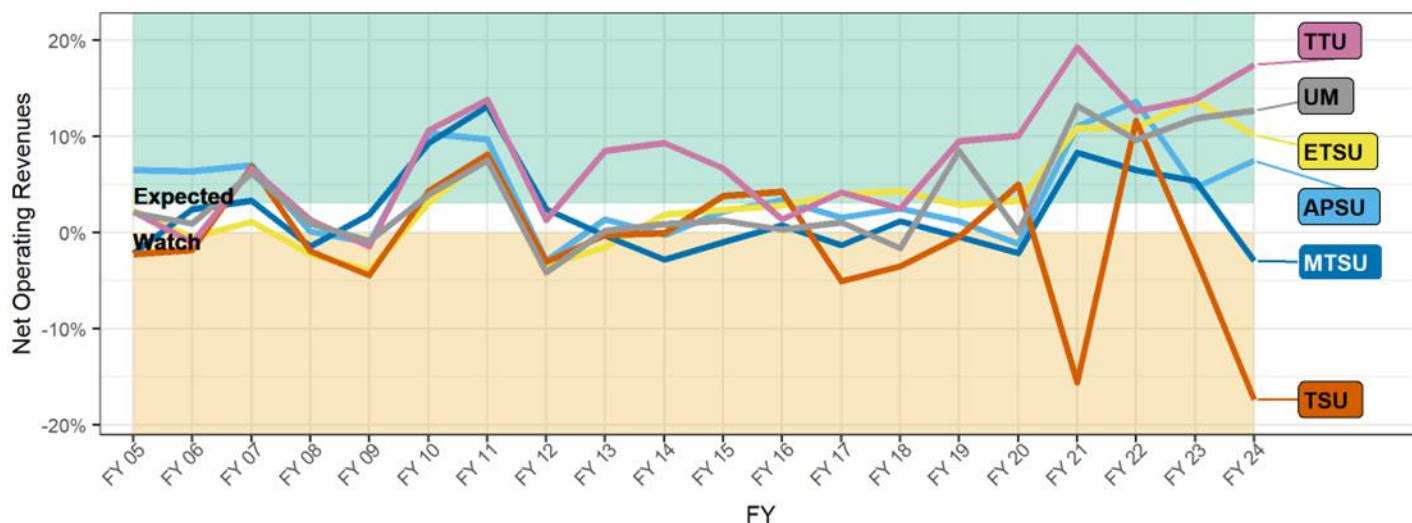
One of the Commission’s goals for its tuition policy is to maintain institutional financial health. We examined several THEC-tracked metrics of financial health to understand institutions’ current financial status and whether changes to tuition policy may help improve it.

The simplest of these metrics is net operating revenue, which measures, in percentage terms, the size of an institution’s annual operating surplus or deficit. Most years, at least one of the locally-governed institutions in Tennessee records negative net operating revenue, meaning that their expenses were higher than their revenue. Short-term deficits are not always problematic, as they can represent one-time projects, a strategic investment of reserves, or multi-year projects funded with non-recurring investments in a single year. However, frequent or sustained negative net revenue will erode an institution’s reserves over time, making it less financially resilient, less able to take advantage of strategic opportunities to innovate and stay relevant, and less able to carry out its mission. The healthiest institutions are able to post net revenue increases of a few percentage points in most years, to continue to add to their reserves, not just break even.

The operating ratios of most institutions in Tennessee have hovered around zero, with some higher numbers and some lower numbers (Figure 10). No institutions have consistently been at or above the national standard “expected” level of 3% for more than five consecutive years. The Tennessee Board of Regents’ operating ratio was over 10% in both FY23 and FY24. TBR data were not available for individual institutions or earlier years.

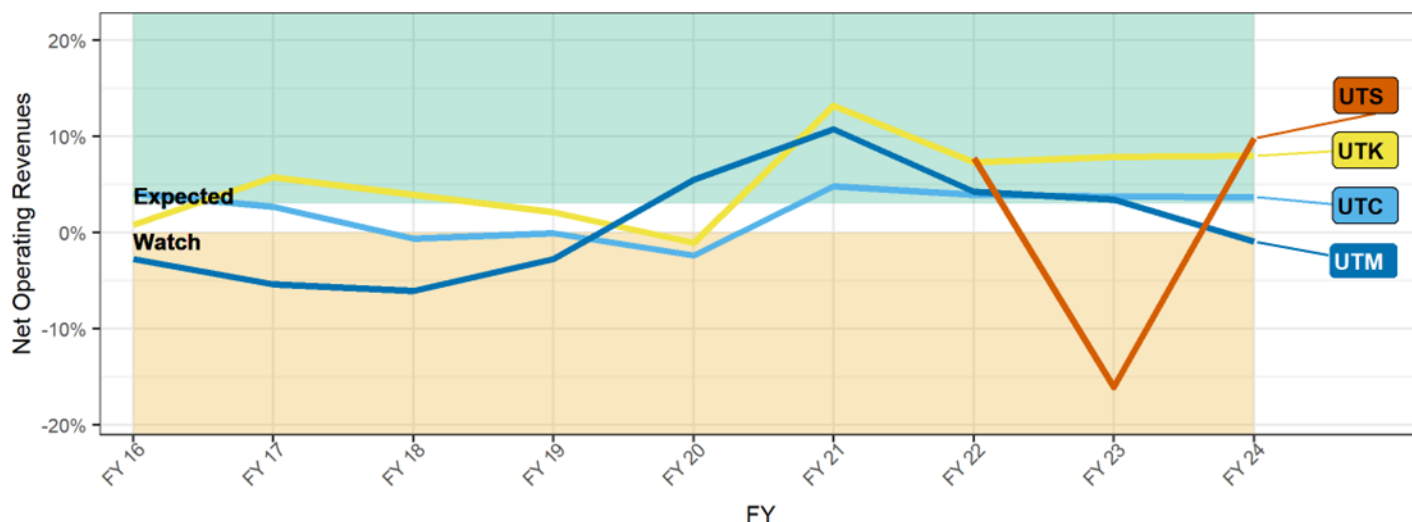
Tennessee State reported the lowest operating ratio in FY24, having been below -15% for two of the most recent four years, with more volatility reported over the period. Tuition policy plays only a small part in an institution’s overall finances, and cannot likely fix significant deficits on its own. As explained throughout this memo, tuition also interacts with state appropriations, aid, and enrollment in complex ways, meaning that the solution to deficits is not nearly as simple as THEC raising tuition limits. As evidence of this, THEC approved a 6.5% tuition increase limit in spring of 2025, and Tennessee State—despite its financial challenges—chose not to utilize the full increase allowed, concerned in part that a dramatic increase in tuition would threaten enrollment and deepen financial difficulties.

Figure 10. Locally-Governed Institutions' Net Operating Revenue



Source: THEC. Note: Includes Foundation finances.

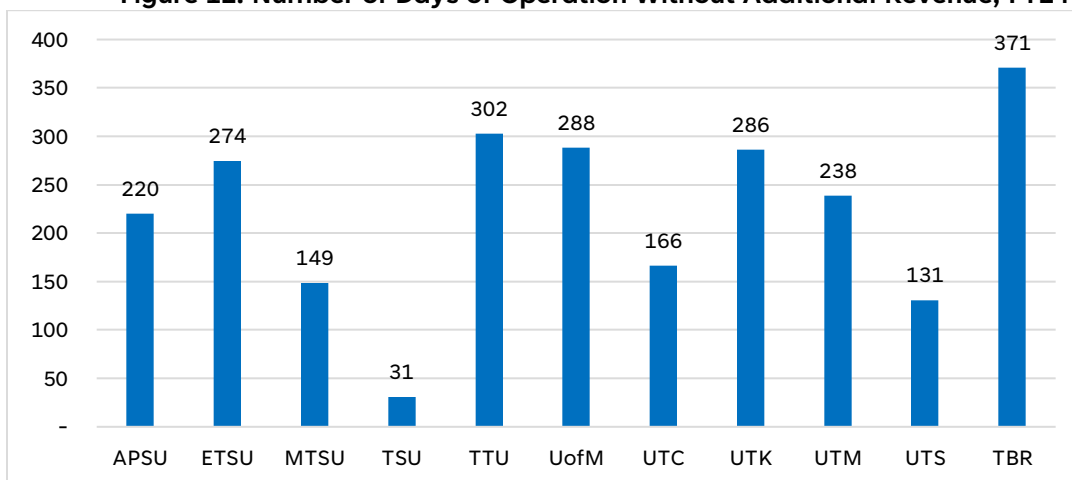
Figure 11. UT Institutions' Net Operating Revenue



Source: THEC. Note: Includes Foundation finances.

THEC also measures institutions' Primary Reserve Ratios, which compare the size of institutions' reserves to their annual expenses. It answers the question, "How long could the institution continue to operate normally with no new revenue?" Figure 12, which was created by THEC, does just this by converting Primary Reserve Ratios into a number of days. Tennessee State's number is again the lowest of the institutions; based on FY24 data, TSU's reserves are only enough to cover one month of operational expenses.

Figure 12. Number of Days of Operation Without Additional Revenue, FY24



Source: THEC. Note: TBR's calculation includes the entire system, including community colleges, TCATs, and the system office.

Enrollment Trends

Key Insights

- **FTE enrollment of in-state undergraduates—the portion of students impacted by THEC tuition policy—declined over the past 6 years, both in numbers and as a percentage of total enrollment. UTK was the only institution that saw an increase.**
- **In-state undergraduates contribute a much larger portion of enrollment at some institutions than others; the more in-state undergraduates an institution enrolls (in percentage terms), the more impact THEC's tuition policy has on the institution's finances.**

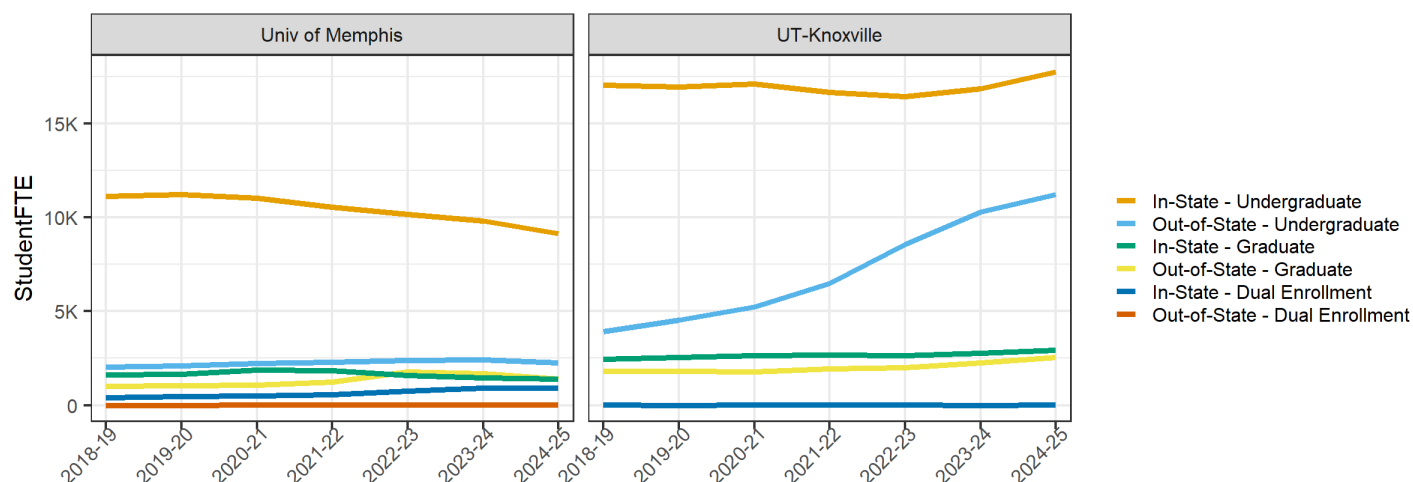
Before analyzing revenue, affordability, and institutional financial health, it is worth understanding the landscape of enrollment at Tennessee institutions and how it has changed over time. Changing enrollment among different types of students (in-state, out-of-state, graduate, dual) impacts tuition revenue, which in turn affects institutional decision-making around tuition-setting and awarding of institutional aid.

At every four-year THEC institution except UT-Knoxville, as well as the TBR system as a whole, in-state undergraduate FTE enrollment declined from 2018-19 through 2023-24 (Figure 13, Figure 14, Figure 15, and Figure 16). These declines are consistent with nationwide trends, and are not entirely pandemic-related; total undergraduate enrollment at U.S. public institutions decreased

nearly every year from a peak in 2010-11 through 2022-23.⁵ Enrollment at public research universities was the exception; it increased over the same period.

At most of Tennessee's public institutions, this decrease in in-state undergraduates was larger than any enrollment decreases among other categories of students, which means that in-state undergraduates contributed a smaller percentage of enrollment over time. At UT-Knoxville, in-state undergraduate enrollment also became a smaller percentage of enrollment over time, but that change was due to a large increase in out-of-state undergraduate enrollment.

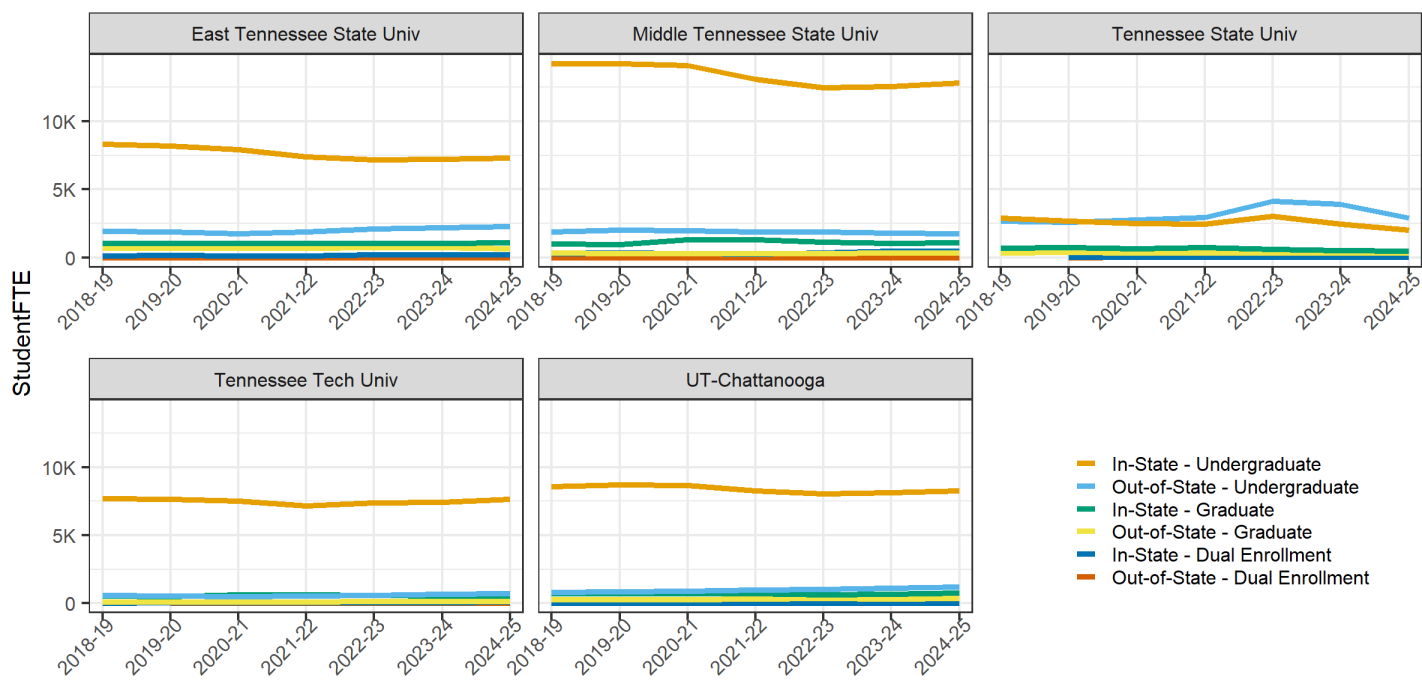
Figure 13. FTE Enrollment by Student Level and Residency, Research (R1) Universities



Source: THEC.

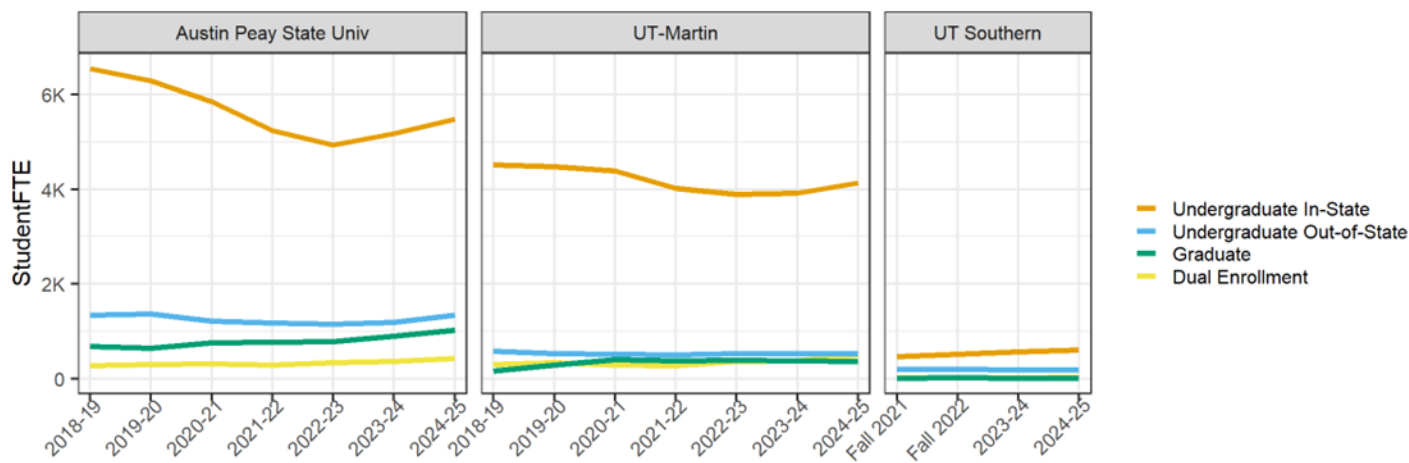
⁵ "How Many Full-Time Equivalent Students Enroll in Postsecondary Institutions Annually?," IPEDS Trend Generator, accessed October 16, 2025, <https://nces.ed.gov/ipeds/trendgenerator/app/answer/2/43?sideid=4--1>.

Figure 14. FTE Enrollment by Student Level and Residency, Research (R2 and Other) Universities



Source: THEC.

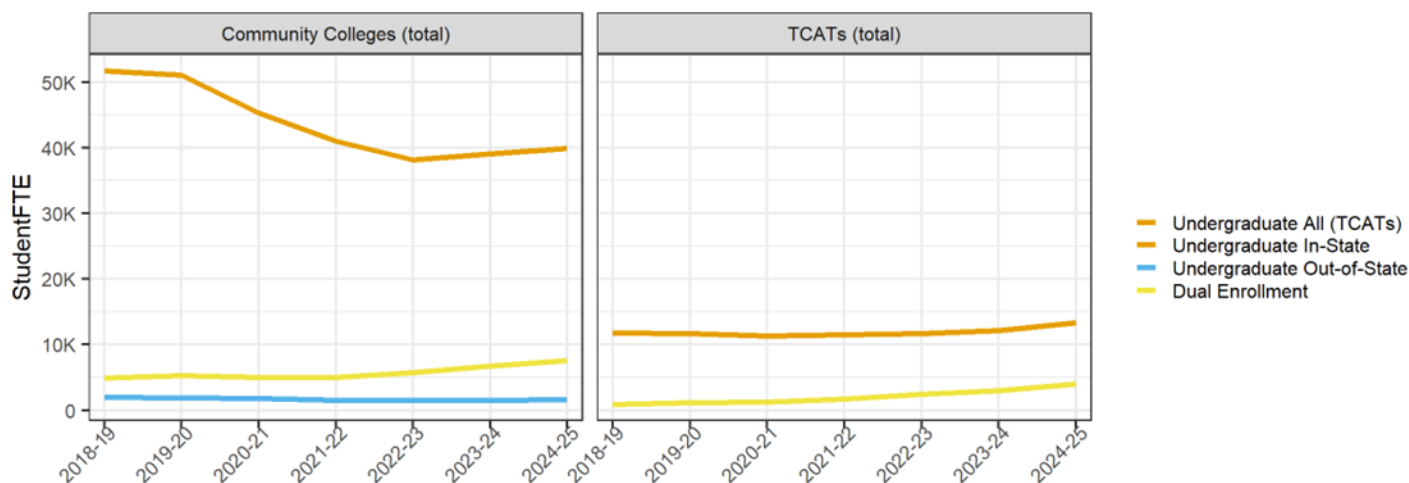
Figure 15. FTE Enrollment by Student Level and Residency, Master's/Bachelor's Universities



Source: THEC. Note: UT Southern data for 2021-22 and 2022-23 only includes Fall semesters. UTS graduate student counts are estimates due to small-cell suppression.

Tennessee Board of Regents community colleges enroll very few out-of-state students, and TCATs do not track student residency. The community colleges saw a significant decrease in in-state enrollment from 2018-19 to 2022-23, in line with nationwide trends, followed by a slight increase. TCAT undergraduate enrollment increased very slightly over the past six years. Both types of two-year institutions saw an increase in dual enrollment FTE.

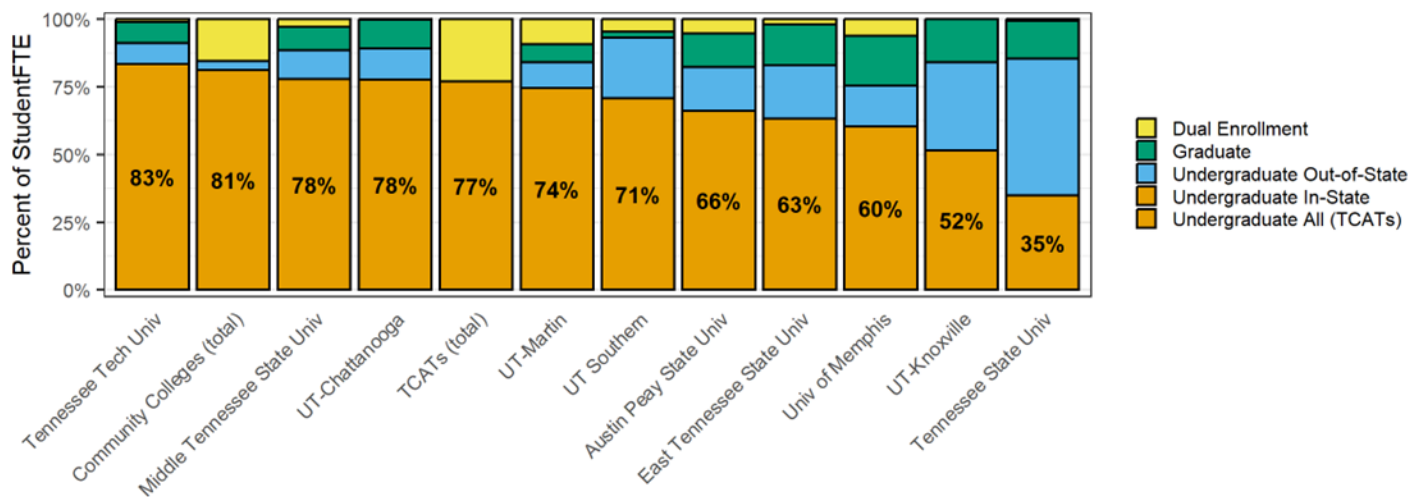
Figure 16. FTE Enrollment by Student Level and Residency, Community Colleges and TCATs



Source: THEC.

Tennessee’s public institutions vary significantly in the degree to which they rely on in-state undergraduates—the students impacted by THEC’s tuition policy—for enrollment. In 2024-25, in-state undergraduates contributed only 35% of Tennessee State’s FTE enrollment, while they contributed 83% of Tennessee Tech’s (Figure 17). As shown below, this variation in in- and out-of-state enrollment has clear implications for institutional finances and the impact of THEC’s tuition-setting authority.

Figure 17. Percent of FTE Enrollment by Student Level and Residency, 2024-25



Source: THEC.

Educational & General Revenue by Source

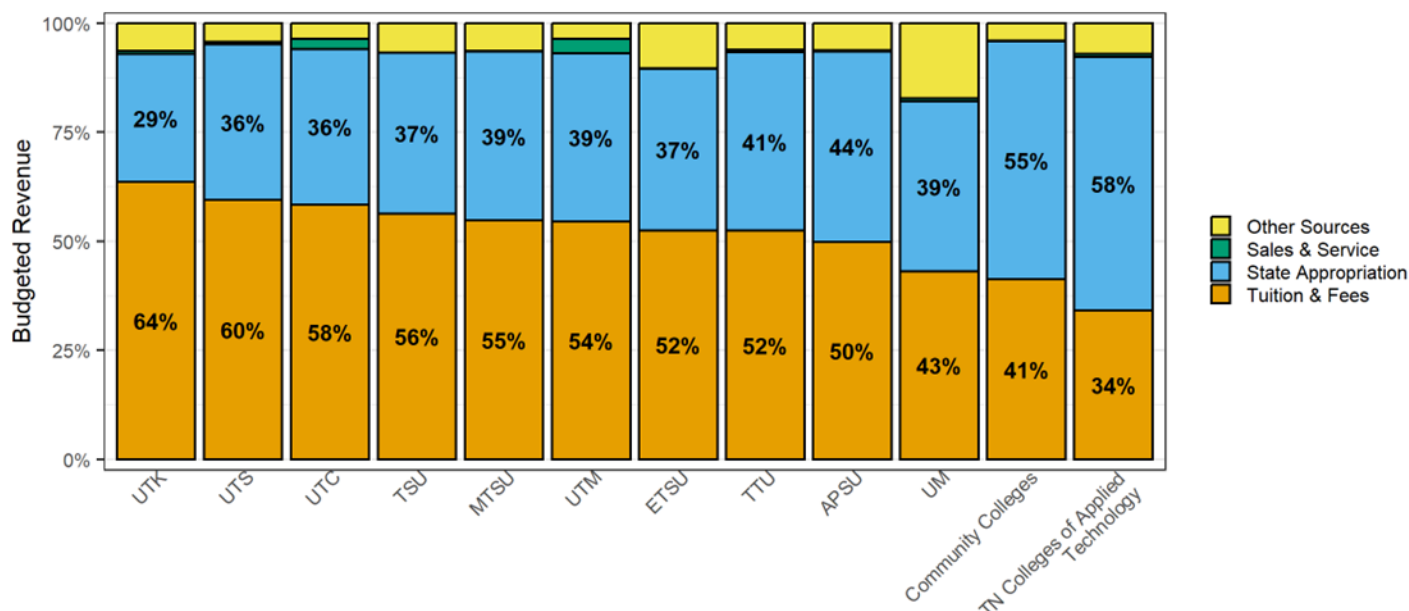
Key Insights

- *Tuition revenue provides a different portion of the unrestricted budget at each Tennessee institution.*
- *Tuition revenue makes up a smaller portion of THEC institutions' budgets than it did five years ago, because state appropriations have grown faster than tuition revenue.*

We analyzed educational and general revenue, as estimated in THEC's revised operating budgets, for the purpose of contextualizing tuition and fee revenue within the larger scope of institutions' budgets. At Tennessee's public institutions, state appropriations and tuition are the two primary sources for the unrestricted portion of institutions' budgets. While significant additional revenue comes from other sources, such as auxiliaries, grants, and contracts, those dollars are generally restricted for specific purposes, so they are not included here. This means that THEC's tuition policy only impacts a limited portion of institutions' total budgets, but that portion is a very important component of their financial strategies.

Tuition revenue, which includes revenue from state and federal student financial aid, makes up somewhere between one-third and two-thirds of unrestricted Education & General (E&G) revenue at Tennessee's public institutions, depending on the institution (Figure 18). That percentage is lowest at the community colleges and TCATS. At these two-year institutions, state appropriations contribute more revenue than tuition. At each of the universities, tuition revenue is higher than state appropriations. It is important to acknowledge that the split between tuition revenue and state appropriations is not the same as the split between students and the state of Tennessee, because the "tuition" bucket includes state-funded financial aid and scholarships. Further, the portion of tuition funded through state aid is not the same at every institution, as state scholarship recipients are concentrated at some institutions more than others. The state's contribution to tuition revenue, through its aid programs, is greatest at the two-year institutions.

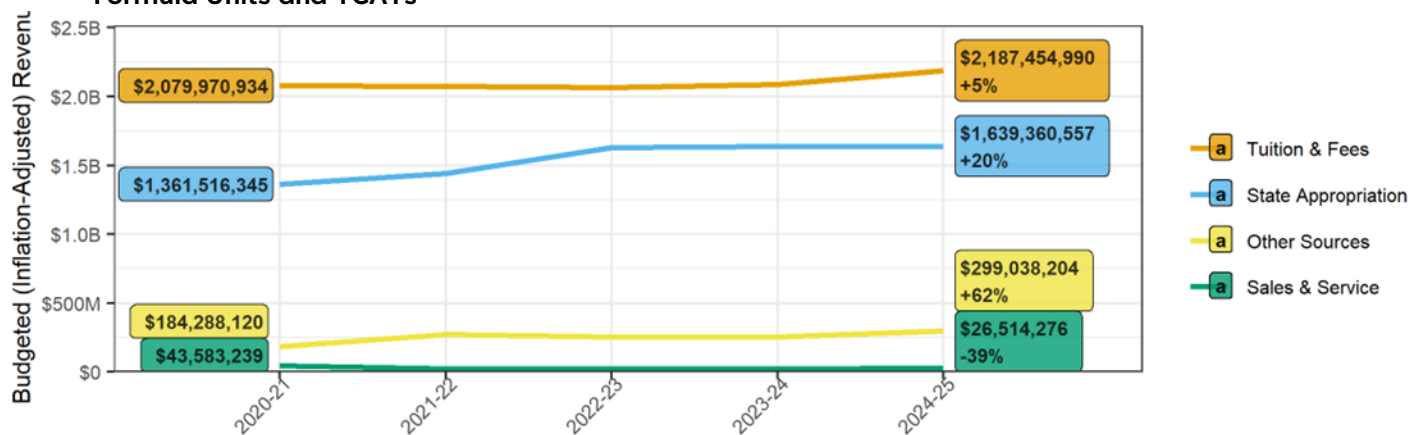
Figure 18. Percent of Unrestricted Education & General Revenue by Institution and Source, FY25



Sources: THEC 2024-25 Revised Operating Budgets. Notes: Based on Oct 31 revised numbers. Includes TCATs and formula units (institutions that receive state appropriations via the outcomes-based funding formula). Excludes ETSU Colleges of Medicine and Pharmacy, UT Health Science Center, UT College of Vet. Medicine, UT Space Institute, and entities with no tuition revenue.

Across the state, tuition revenue at Tennessee’s public institutions has increased five percent in the past five years, after adjusting for inflation, while state appropriations have increased by 20% (Figure 19).

Figure 19. Unrestricted Education & General (Inflation-Adjusted) Revenue Over Time, THEC Formula Units and TCATs

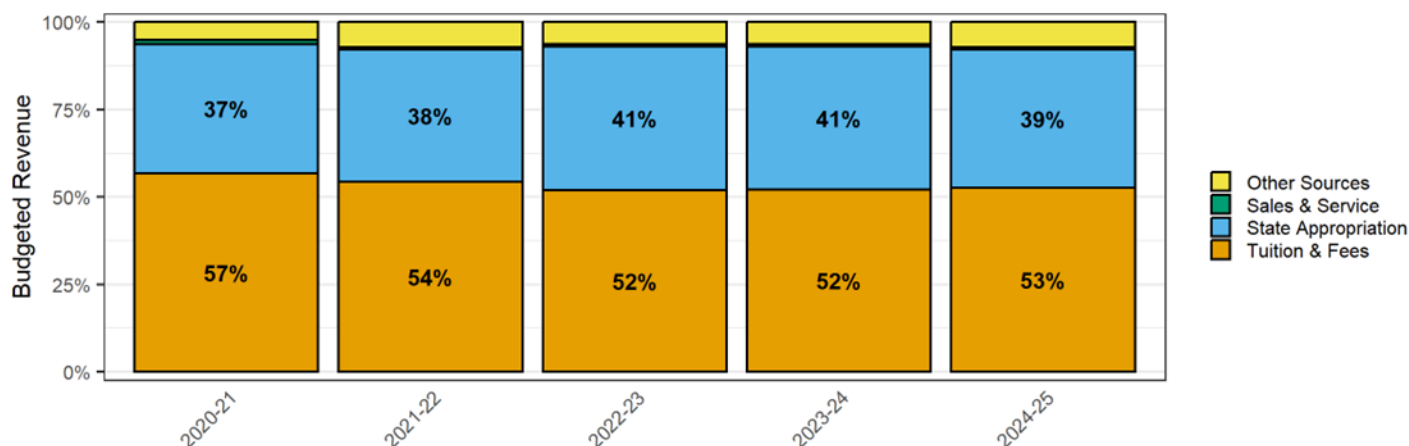


Sources: THEC Annual Revised Operating Budgets. Notes: Inflation-adjusted to 2024 dollars using HECA. Based on Oct 31 revised numbers. Includes TCATs and formula units (institutions that receive state appropriations via the outcomes-based funding formula). Excludes ETSU Colleges of Medicine and Pharmacy, UT Health Science Center, UT College of Vet. Medicine, UT Space Institute, and entities with no tuition revenue.

In this time period, tuition revenue decreased as a percentage of total revenue over time, while state appropriations have slightly increased as a share of E&G revenue (Figure 20). This trend

means that THEC's tuition policy impacts a smaller percentage of institutions' revenues than it did in previous years. At the same time, state appropriations comprise a larger percentage of institutions' overall budgets, which THEC influences through the Outcomes-Based Funding model.

Figure 20. Percent of Unrestricted Education & General Revenue, THEC Formula Units and TCATs



Sources: THEC Annual Revised Operating Budgets. Notes: Based on Oct 31 revised numbers. Includes TCATs and formula units (institutions that receive state appropriations via the outcomes-based funding formula). Excludes ETSU Colleges of Medicine and Pharmacy, UT Health Science Center, UT College of Vet. Medicine, UT Space Institute, and entities with no tuition revenue.

Tuition and Fee Revenue

Key Insights

- ***The percent of revenue subject to THEC's tuition-setting authority—that portion of tuition and fees received from in-state undergraduates—varies widely among THEC universities, from 26% to 92%.***
- ***Over time, in-state undergraduate tuition has become a smaller percentage of tuition and fee revenue, while the share from out-of-state undergraduate tuition has increased. This change is largely the result of shifts at UTK and TSU. At most universities, each out-of-state student generates more revenue for the institution than each in-state student.***
- ***Some THEC universities have also seen growth in the percentage of tuition and fee revenue they receive from graduate students and nonmandatory fees.***

Using institutional data provided by THEC, we explored student tuition, fee, and aid revenue in further detail to understand how tuition and fee revenue is distributed across different types of students. Our analysis shows that some institutions obtain nearly all tuition and fee revenue from

in-state undergraduates and mandatory fees⁶, which are subject to THEC’s tuition policy (Table 2). Other institutions earn larger portions of their revenue from out-of-state tuition, graduate tuition and fees, and nonmandatory fees, which THEC’s tuition policy does not govern (Figure 21). For example, in 2023–24, 92% of UT Southern’s student revenue came from sources subject to the THEC tuition policy, while only 26% of Tennessee State’s did. We did not analyze detailed revenue data for the community colleges or TCATs; given their missions and enrollment patterns, it is safe to assume that nearly all of their tuition and fee revenue comes from in-state undergraduates.

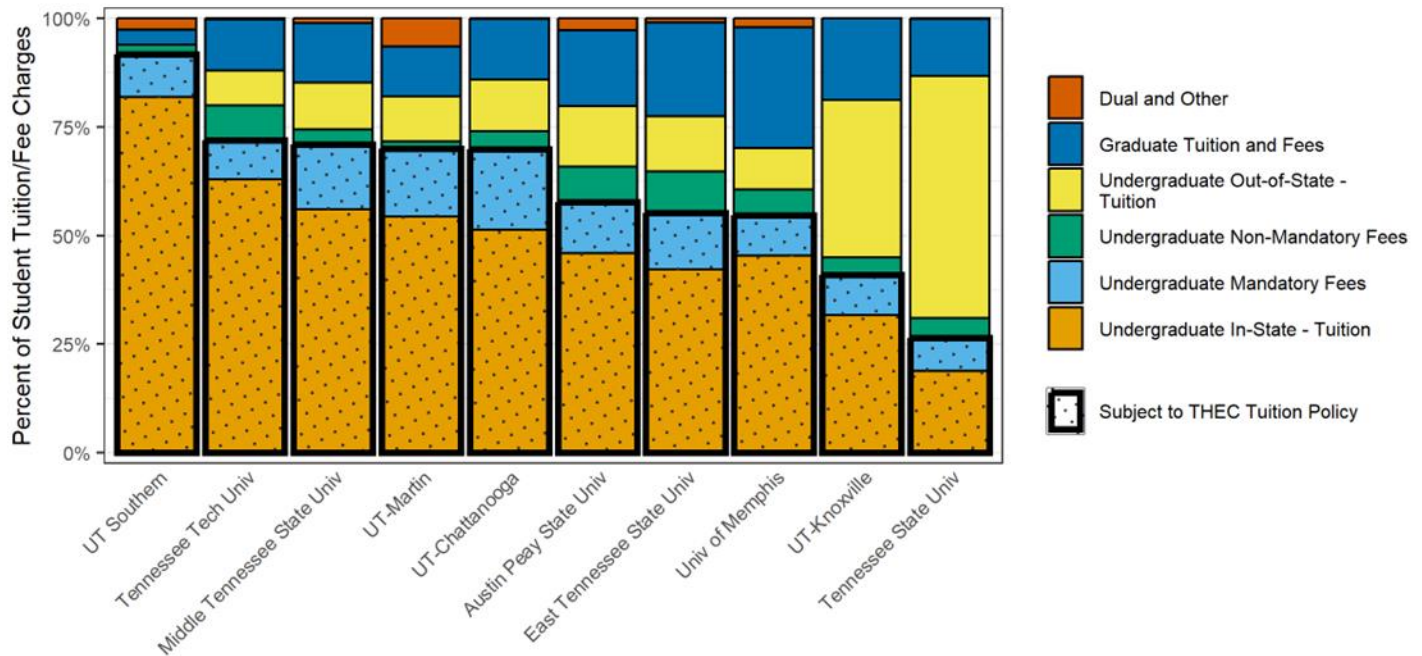
Table 2. 2023–24 Percent of Student Tuition/Aid/Fee Revenue Subject to THEC Policy, Universities

Institution	Percent of student revenue subject to THEC tuition policy
UT Southern*	92%
Tennessee Tech Univ	72%
Middle Tennessee State Univ	71%
UT-Martin	70%
UT-Chattanooga	70%
Austin Peay State Univ	58%
East Tennessee State Univ	55%
Univ of Memphis	55%
UT-Knoxville	41%
Tennessee State Univ	26%

*Note: UT Southern does not charge separate in-state and out-of-state rates.

⁶ We included mandatory fees paid by out-of-state and other undergraduates in our analysis. Although THEC’s tuition policy only applies to in-state undergraduates, limits on mandatory fees for that group will also impact mandatory fee revenue from other undergraduates.

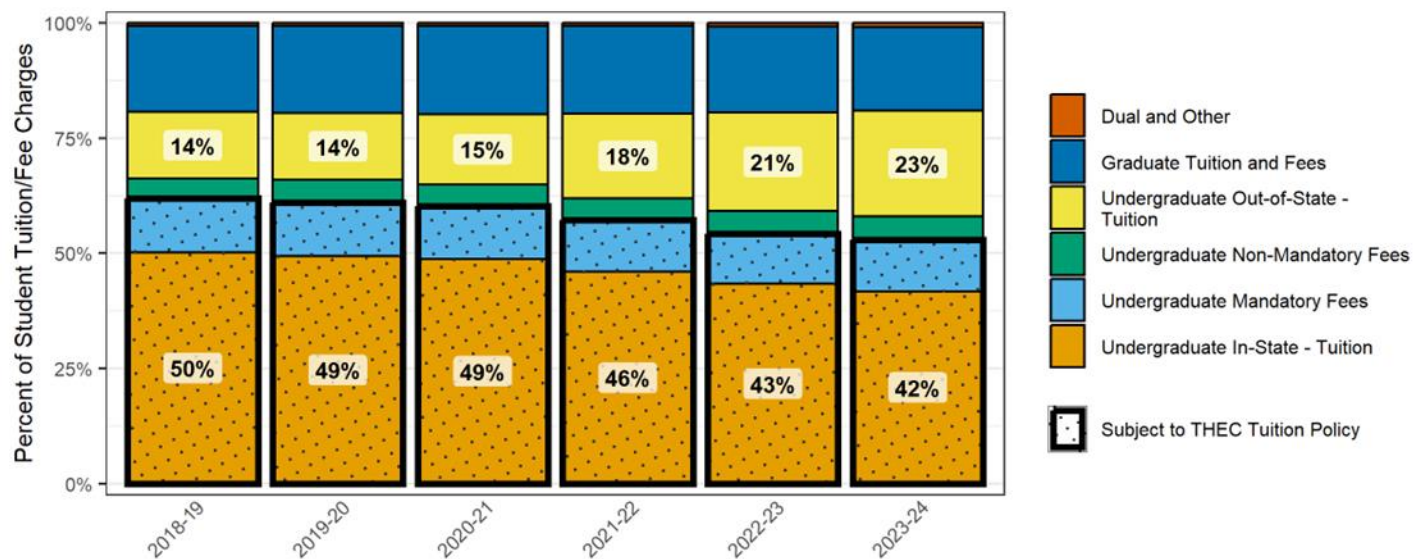
Figure 21. Percent of Tuition and Fees by Institution, Residency and Category, 2023-24



Source: Institutions via THEC. Years include Fall, Spring, and trailing Summer semesters. Amounts represent student charges, some of which are paid by restricted grants/scholarships.

Figure 22 shows that from 2018-19 through 2023-24, the THEC universities as a group gradually acquired a smaller percentage of their tuition and fee revenue from in-state undergraduate tuition (50% in 2018-19 and 42% in 2023-24) and a larger percentage from out-of-state undergraduate tuition (14% in 2018-19 and 23% in 2023-24). Again, this means that THEC tuition limits influence a smaller portion of these institutions' revenue than they previously did.

Figure 22. Percent of Tuition and Fees by Residency and Category, All Tennessee Public Universities

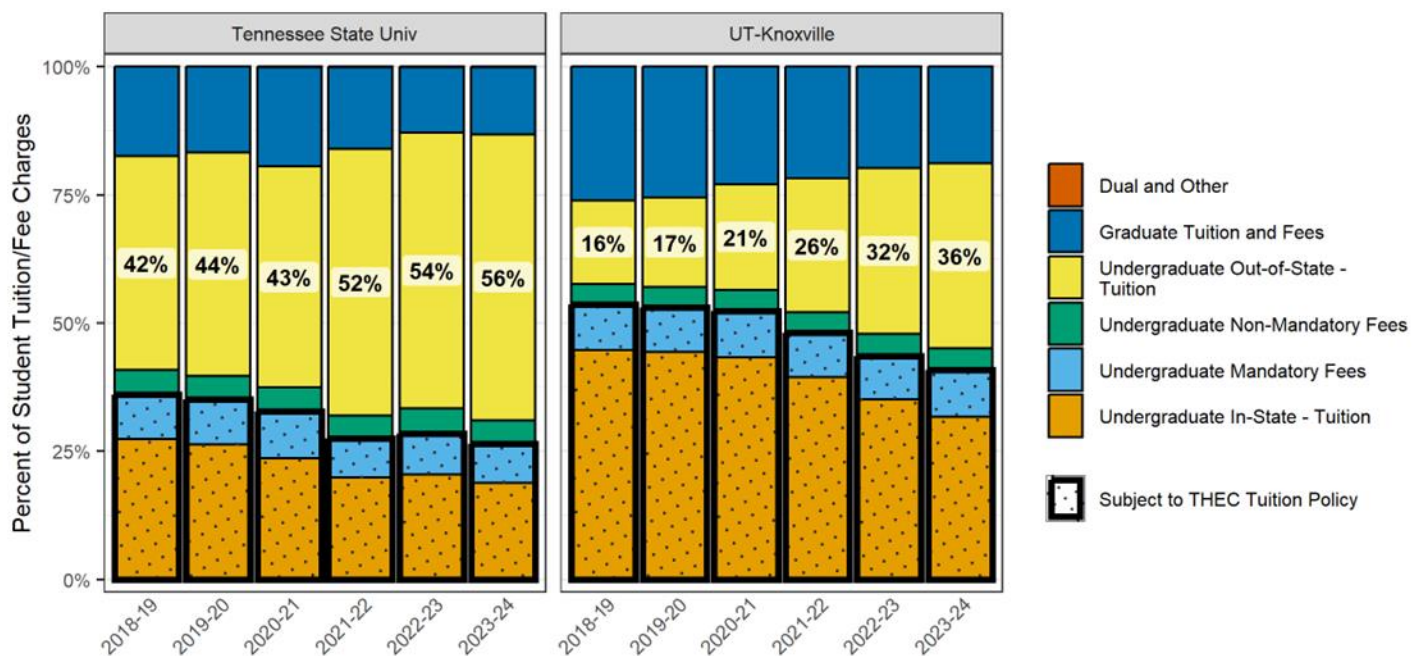


Source: Institutions via THEC. Years include Fall, Spring, and trailing Summer semesters. Amounts represent student charges, some of which are paid by restricted grants/scholarships.

These statewide trends obscure important differences between institutions. The shift towards out-of-state undergraduates as a source of revenue was driven by two institutions: UT Knoxville and Tennessee State.⁷ Those two institutions earn larger percentages of their revenue from out-of-state undergraduate tuition than the other THEC institutions, and the percentages have increased substantially over time (Figure 23).

⁷ The University of Memphis' percent of revenue from out-of-state undergraduates also increased from 8% in 2018-19 to 10% 2023-24; it was not a major contributor to the statewide trend.

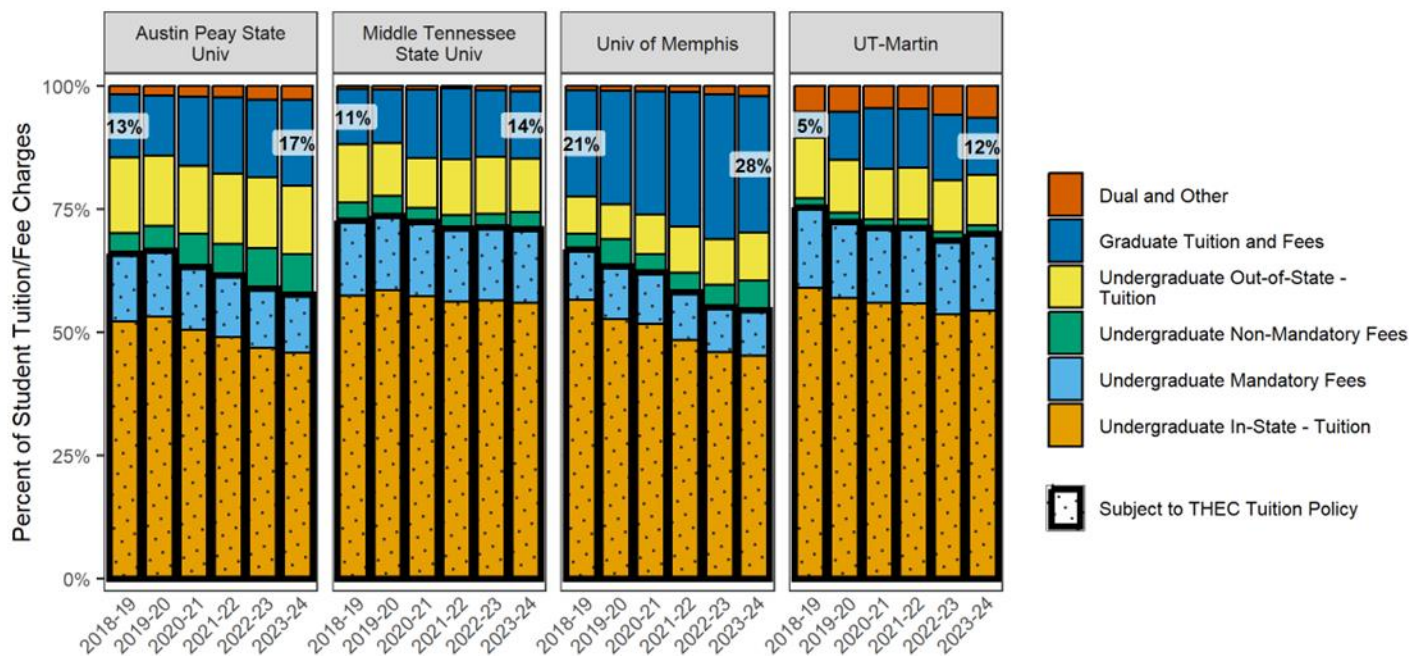
Figure 23. Percent of Tuition and Fees by Residency and Category, TSU and UTK



Source: Institutions via THEC. Years include Fall, Spring, and trailing Summer semesters. Amounts represent student charges, some of which are paid by restricted grants/scholarships.

Four institutions have moved their tuition revenue mix towards graduate students over time: the University of Memphis, Austin Peay State, Middle Tennessee, and UT-Martin (Figure 24). This, too, represents a shift away from revenue impacted by THEC's tuition policy.

Figure 24. Percent of Student Revenue by Residency and Category, APSU, MTSU, U of M, and UT-Martin



Source: Institutions via THEC. Years include Fall, Spring, and trailing Summer semesters. Amounts represent student charges, some of which are paid by restricted grants/scholarships.

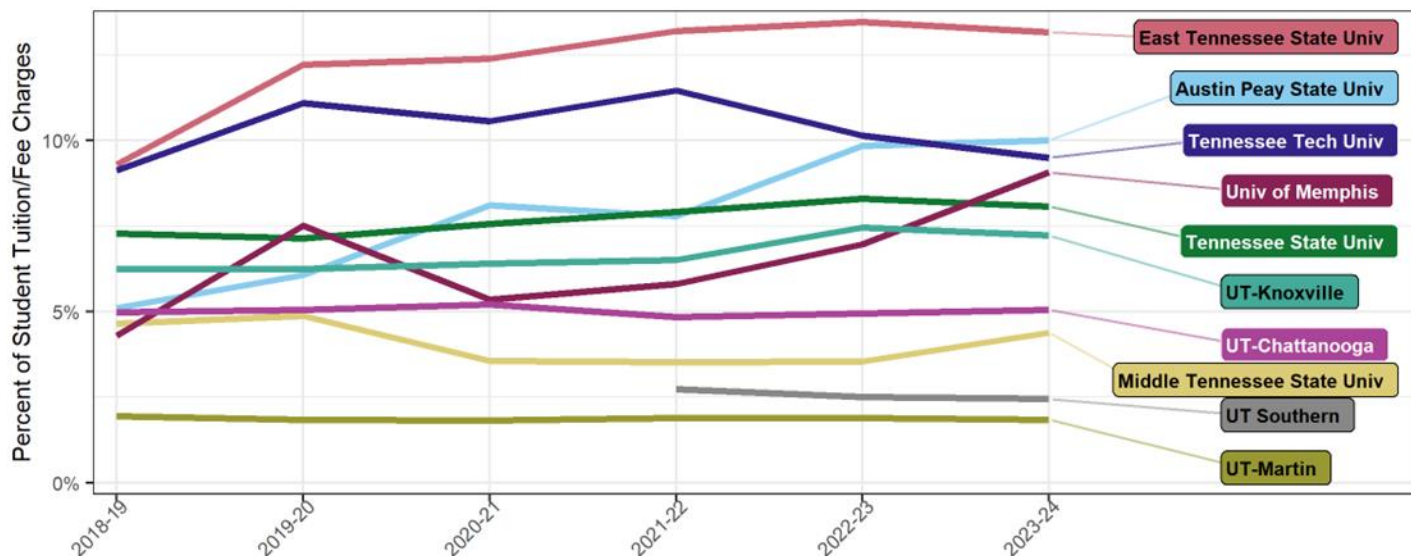
One motivation that institutions may have for shifting their revenue away from in-state undergraduates toward out-of-state undergraduates is financial: out-of-state students typically bring in more tuition and fee revenue than in-state students. In the Tennessee context, where THEC policy influences the amount institutions can collect in tuition revenue from in-state students, institutions seeking additional revenue may turn to out-of-state enrollments. We examine how revenue and institutional aid interact for different types of students in the [Institutional Discounts](#) section of this report.

Another option for institutions seeking additional revenue is to raise nonmandatory fees. Some of these fees are transactional fees for specific services (parking fees, transcript fees, late fees, etc.). Most, however, are fees charged to students enrolled in specific courses or programs. As a percent of total tuition and fees charged to in-state undergraduates, nonmandatory fees have increased at some, but not all, Tennessee institutions in recent years (Figure 25). Austin Peay and the University of Memphis saw the largest growth in nonmandatory fees relative to other charges over the most recent five-year period available. At Austin Peay in 2018-19, nonmandatory fees represented 5% of in-state undergraduate student revenue; by 2023-24, that number was 10%. U of M's nonmandatory fee percentage grew from 4% to 9% during the same period. East Tennessee's nonmandatory fees are the highest as a percentage of total tuition and fees; in 2023-24, they represented 13% of in-state undergraduate student charges.

Some THEC Commissioners have expressed concern that these nonmandatory fees could represent a way for institutions to do an end-run around THEC's tuition policy, and that they reduce transparency in pricing for students. Yet these fees are typically surcharges assessed for

courses or programs that are expensive to run or in high demand; the most common nonmandatory fees across Tennessee institutions are in nursing, business, and engineering. Such fees, which are sometimes referred to as “differential tuition,” are commonly assessed by institutions throughout the country. The affordability concerns are not illegitimate, but the degree to which institutions use nonmandatory fees as a way to accumulate discretionary revenue, and not simply to offset specific costs, is unclear. Nevertheless, such fees should not be allowed to become a financial barrier to courses and programs for students of limited means.

Figure 25. Nonmandatory Fees as a Percent of Total Tuition and Fee Charges to In-State Undergraduates



Source: Institutions via THEC. Years include Fall, Spring, and trailing Summer semesters. Represents non-mandatory fees as a percentage of total tuition and fees charged.

Nonmandatory fees attached to specific courses or programs are one example of how tuition and fee rates are more complex than simply an in-state rate and an out-of-state rate. In addition to the (higher) effective rates created by nonmandatory fees, a number of institutions also charge lower-than-out-of-state rates to out-of-state students who enroll exclusively in online courses and out-of-state students who live near the Tennessee border. We provide these examples to illustrate that the relationships between published prices, student affordability, and revenue are not always straightforward. Financial aid complicates these relationships even further; we explore their intricacies in the next section.

Student Affordability, Tuition, and Aid

The simplest way to assess student affordability is to look at published tuition and fee rates. These rates are sometimes called “sticker prices,” and the comparison to sticker prices on vehicles at car dealerships is an apt one. A new car’s sticker price is public and understandable, but it doesn’t necessarily represent the amount a buyer will actually pay, and it doesn’t provide any information about the additional costs of owning the car, such as maintenance and insurance. Similarly, a college or university’s published tuition price is an important public signal of its

affordability (or lack thereof). But many students pay less than the published tuition rate due to financial aid and scholarships, and some may pay more due to the addition of nonmandatory fees in specific academic programs. Furthermore, tuition is only one of many costs of attending college; students must also be able to afford books, supplies, transportation, food, housing, and other living expenses.

To understand affordability, published tuition is an important starting point, but it is not sufficient. Therefore, this analysis looks at multiple dimensions of affordability. We examine not only published tuition rates but also analyze financial aid, net prices, and total costs of attendance.

Price Comparisons

Key Insights

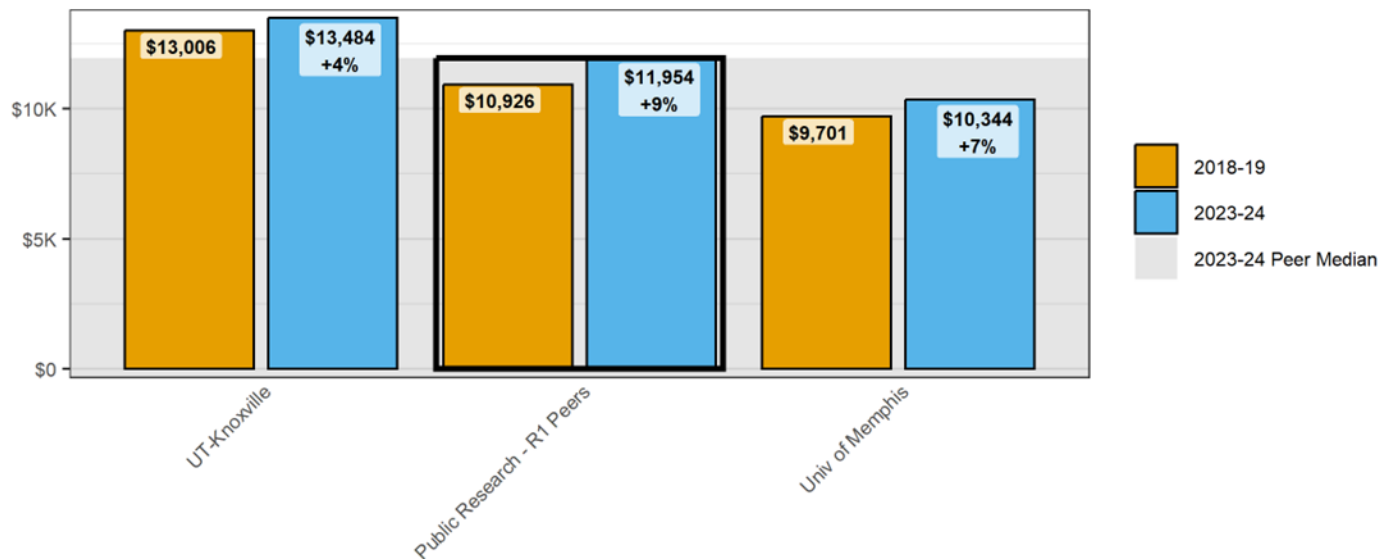
- ***Published tuition and fees at most of Tennessee's public institutions are higher than those of peer institutions around the nation, though differences are relatively small in many cases.***
- ***Tennessee tuition and fee rates have mostly increased at a slightly slower pace than they have at peer institutions nationally.***
- ***Most, though not all, of Tennessee's public institutions had a lower net price than the median of their respective peers in 2022-23.***

We begin by comparing published tuition and fees for full-time, in-state undergraduates. These are the rates impacted by THEC's tuition policy, and peer comparisons can help THEC understand whether its current method of setting tuition policy results in rates that are higher or lower than those of similar institutions in other states. Because states adopt quite different approaches to how dependent on tuition revenue their public institutions are, relative to state appropriations, peer comparisons of pricing strategies should be complemented by comparisons of total discretionary revenue—the sum of tuition revenue plus state and local appropriations—as this memo did in the [Peer Institution Comparisons](#) section. That is, it may be that a Tennessee university is highly priced relative to its peers, yet its total discretionary revenue is lower. In such instances, questions about that institution's relatively high price should be asked in tandem with questions about whether the state is providing support at a sufficiently adequate level for the institution to reduce its dependence on tuition revenue.

In 2023-24, tuition and fee rates at most of Tennessee's public institutions were higher than the national median, though most were within \$1,000 of the median. Tennessee tuition and fee rates have generally increased at a slightly slower pace than they have at peer institutions nationally.

Among R1 institutions, UT-Knoxville's tuition and fees are higher than the national median, and the University of Memphis' are lower. This trend has been consistent over time. Both of these institutions' rates increased by a smaller percentage over the most recent five years than did the national median.

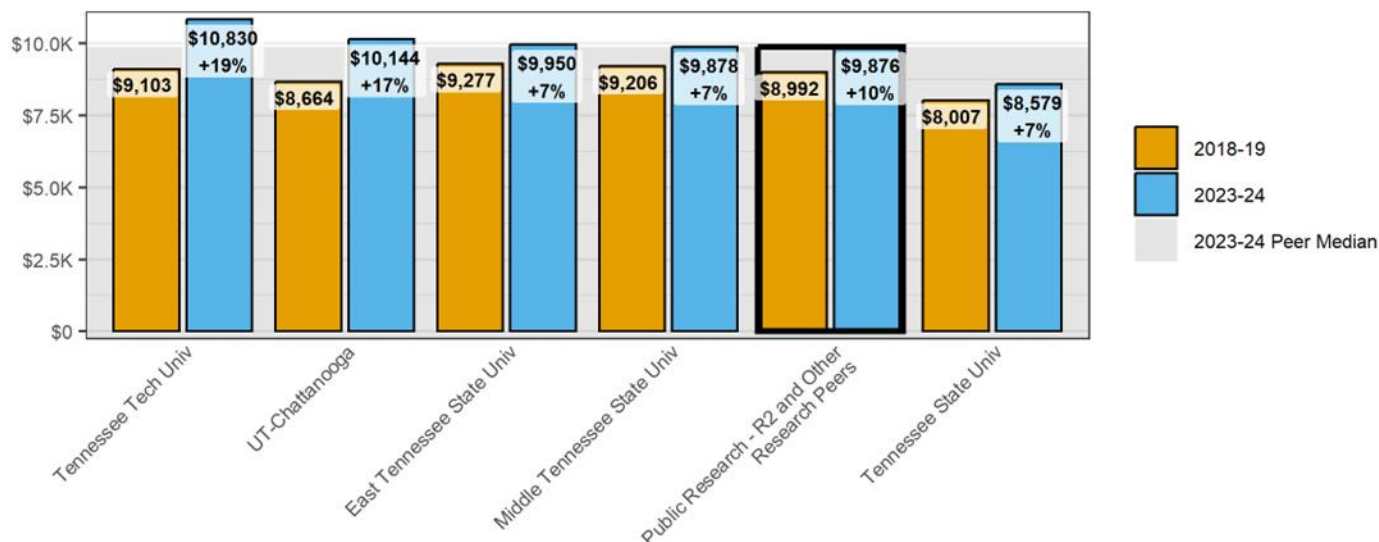
Figure 26. Public Research (R1) University Tuition and Fees for Full-Time In-State Undergraduates, TN Compared to Peer Median



Sources: Data for TN institutions from THEC. Data for peers from NCES IPEDS Institutional Characteristics ic2016_ay final release file; ic2023_ay provisional release. Notes: Peer values are medians. Institutions that do not publish an in-state rate greater than 0 are excluded.

Most of Tennessee’s R2 institutions publish in-state tuition and fee rates that are close to the national median of their peers and have done so for years. Tennessee Tech’s rate is the highest in this group and has grown by the largest percentage over since 2018-19; its sticker price was \$954 more than the national median in 2023-24. This growth is at least partly the result of changes in the institution’s pricing model, which transitioned from a per-credit tuition rate to a flat rate during this timeframe. This change simplified Tennessee Tech’s fee structure and also resulted in a larger percentage increase in published prices than would otherwise have been the case. Tennessee State’s rate, the lowest in this group, was \$1,297 less than the national median in the same year. Rates at Tennessee’s R2 institutions grew between 7% and 19% over the most recent available five-year period; during this same timeframe, the national median grew 10%.

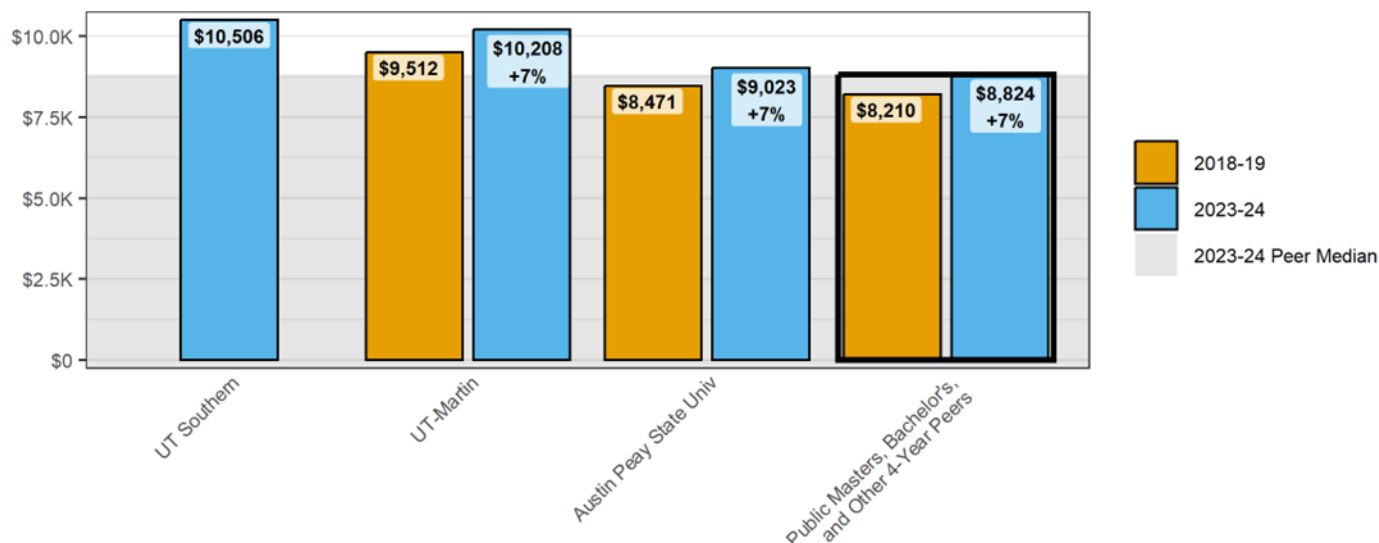
Figure 27. Public Research (R2 and Other) University In-State Undergraduate Full-Time Tuition and Fees, TN Compared to Peer Median



Sources: Data for TN institutions from THEC. Data for peers from NCES IPEDS Institutional Characteristics ic2016_ay final release file; ic2023_ay provisional release. Notes: Peer values are medians. Institutions that do not publish an in-state rate greater than 0 are excluded.

Austin Peay's tuition and fees stayed very close to the national median for public Master's/Bachelor's universities over the past five years, while UT-Martin and UT Southern's rates were higher. UT Southern does not have a separate out-of-state rate, which may be one reason its in-state rate is higher than the median. In Tennessee, these institutions' tuition increased by a percentage that was similar to the national median during that period.

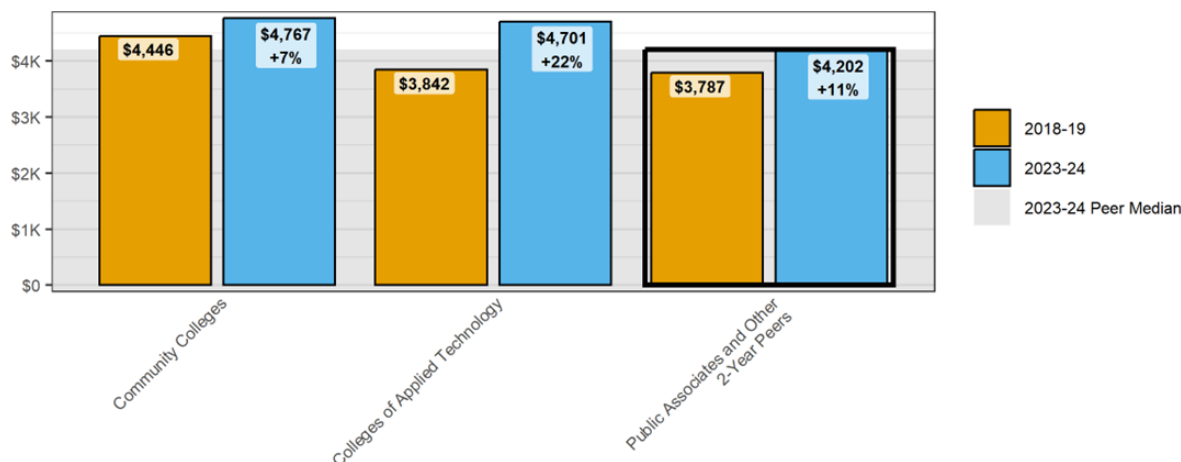
Figure 28. Public Master's/Bachelor's University In-State Undergraduate Full-Time Tuition and Fees, TN Compared to Peer Median



Sources: Data for TN institutions from THEC. Data for peers from NCES IPEDS Institutional Characteristics ic2016_ay final release file; ic2023_ay provisional release. Notes: Peer values are medians. UT Southern was acquired by the UT system in 2021, so previous tuition is not displayed.

Published tuition and fees at Tennessee’s two-year institutions are higher than the national median. Community college tuition has grown at a slower pace than the national average, while TCAT tuition grew at a faster pace, due mostly to an increase of \$693 between 2022-23 and 2023-24.

Figure 29. Public Two-Year Institution In-State Undergraduate Full-Time Tuition and Fees, TN Compared to Peer Median

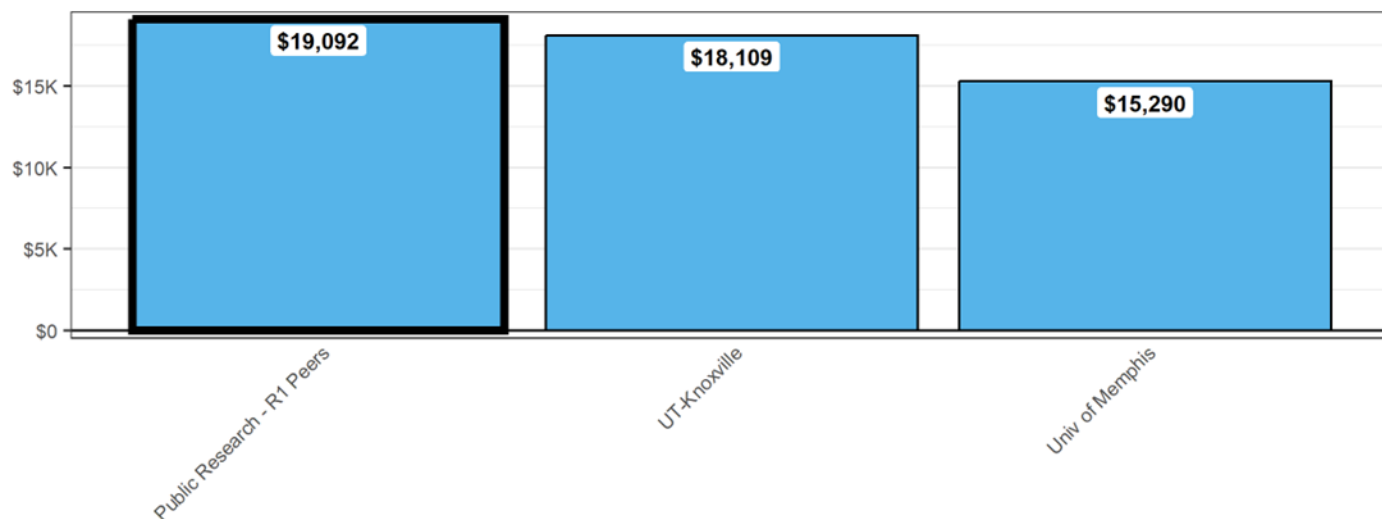


Sources: Data for TN institutions from THEC. Data for peers from NCES IPEDS Institutional Characteristics ic2016_ay final release file; ic2023_ay provisional release. Notes: Tennessee community college tuition and Fees are averages weighted by full-time student headcount. Peer values are medians based on in-district rates.

Published tuition is only one component of affordability. Net price is also important to consider. Net price takes into account the financial aid students receive through grants, and it incorporates all the costs associated with a college education, which go well beyond tuition and fees. For this analysis, we defined net price as the total cost of attendance (tuition, fees, books, supplies, food, housing, transportation, and other living expenses) minus grant aid. Net price reflects the amount of money a full-time student must pay out of pocket, whether through their own or their family’s savings or income or through loans. We compared THEC institutions to similar peers around the country using IPEDS data; data are only available for first-time, full-time, in-state undergraduates who received Title IV aid. In interpreting these data, it is important to keep in mind that costs and aid vary greatly among students at any individual institution and among students at different institutions; this analysis is based on institutional estimates of student costs (for which there is no standard calculation methodology), average aid across students within an institution, and medians across institutions.

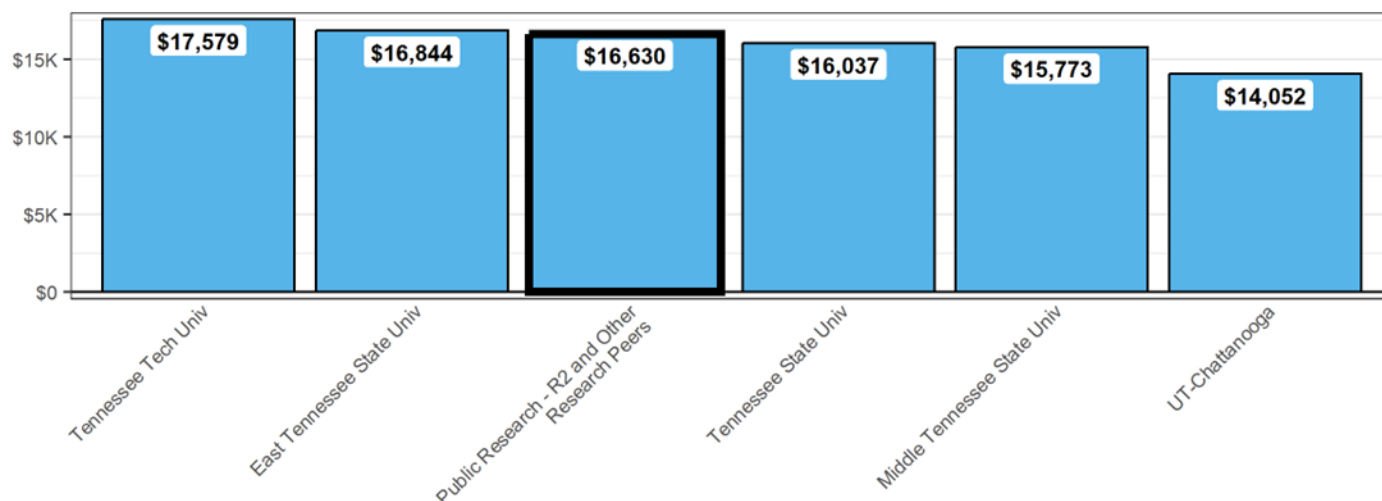
In 2022-23, the most recent year of available data, seven of Tennessee’s 10 public universities reported a net price that was lower than the median of their respective institution type. (Figure 30, Figure 31, Figure 32). Institutions that had higher net prices than their peers included Tennessee Tech, East Tennessee State, and Austin Peay. Tennessee’s community colleges had a net price that was almost identical to the national median among two-year institutions, while the TCAT net price was lower (Figure 33).

Figure 30. Public Research (R1) University In-State Undergraduate Net Price, TN Compared to Peer Median, 2022-23



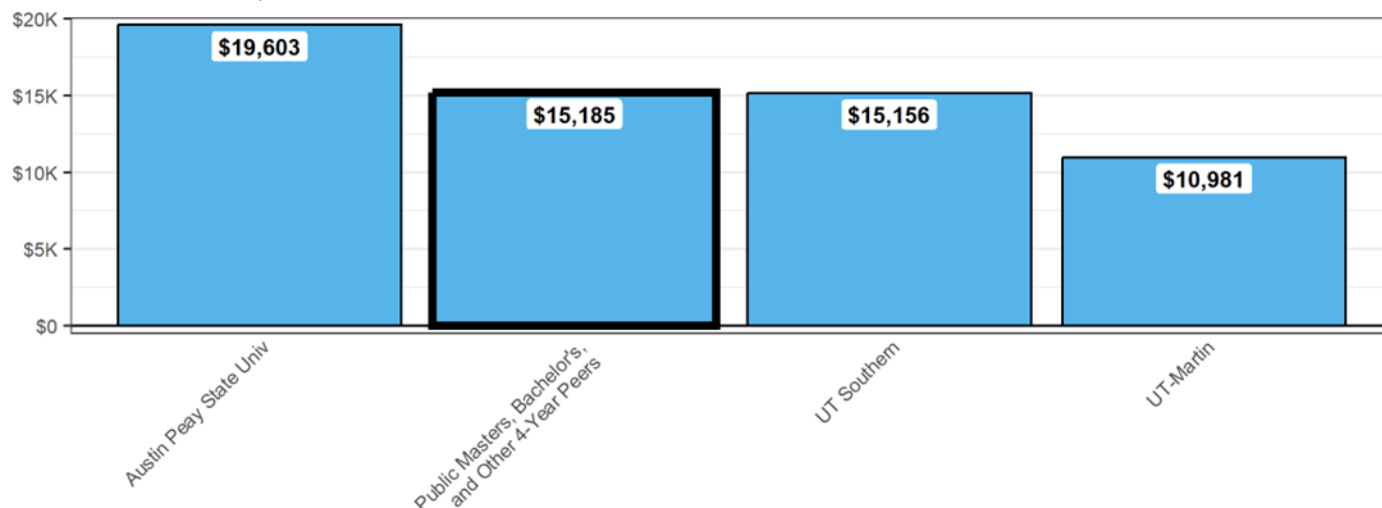
Sources: Aid data from NCES IPEDS financial aid provisional release file sfa2223. Cost of attendance data for TN institutions from THEC. Cost of attendance data for peer institutions from IPEDS ic2023_ay file. Notes: pertains only to full-time, first-time degree/certificate-seeking undergraduates paying the in-state or in-district tuition rate who were awarded Title IV aid. Net price = Total cost of attendance (based on living on-campus) minus average aid. Peer values are medians.

Figure 31. Public Research (R2 and Other) University In-State Undergraduate Net Price, TN Compared to Peer Median, 2022-23



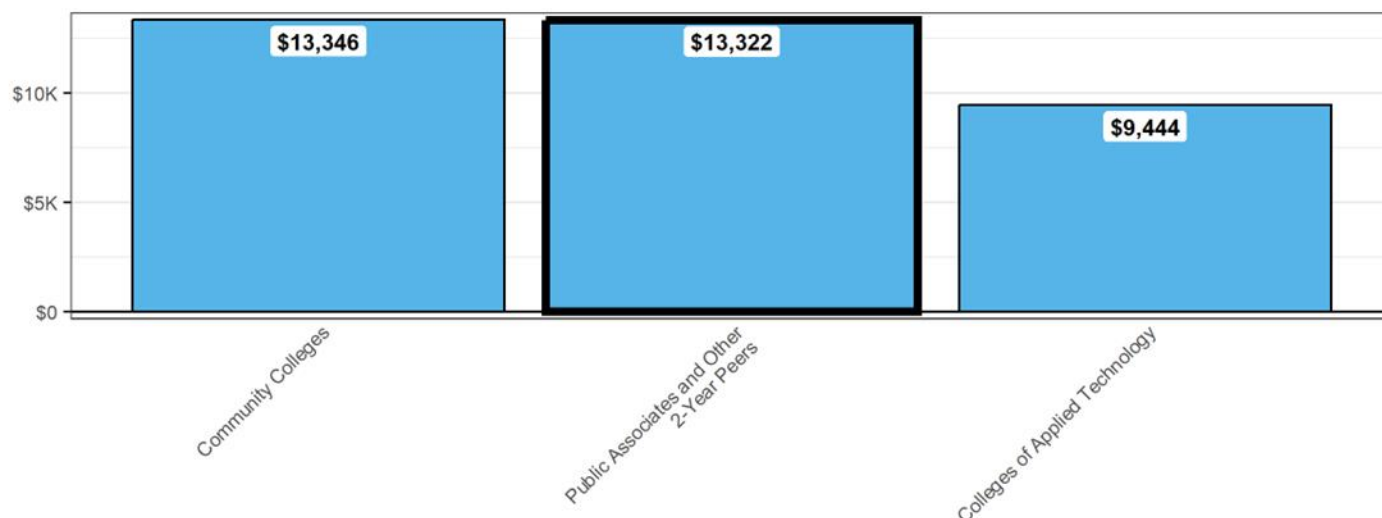
Sources: Aid data from NCES IPEDS financial aid provisional release file sfa2223. Cost of attendance data for TN institutions from THEC. Cost of attendance data for peer institutions from IPEDS ic2023_ay file. Notes: pertains only to full-time, first-time degree/certificate-seeking undergraduates paying the in-state or in-district tuition rate who were awarded Title IV aid. Net price = Total cost of attendance (based on living on-campus) minus average aid. Peer values are medians.

Figure 32. Public Master's/Bachelor's University In-State Undergraduate Net Price, TN Compared to Peer Median, 2022-23



Sources: Aid data from NCES IPEDS financial aid provisional release file sfa2223. Cost of attendance data for TN institutions from THEC. Cost of attendance data for peer institutions from IPEDS ic2023_ay file. Notes: pertains only to full-time, first-time degree/certificate-seeking undergraduates paying the in-state or in-district tuition rate who were awarded Title IV aid. Net price = Total cost of attendance (based on living on-campus) minus average aid. Peer values are medians.

Figure 33. Public Two-Year Institution In-State Undergraduate Net Price, TN Compared to Peer Median, 2022-23



Sources: Aid data from NCES IPEDS financial aid provisional release file sfa2223. Cost of attendance data for TN institutions from THEC. Cost of attendance data for peer institutions from IPEDS ic2023_ay file. Notes: pertains only to full-time, first-time degree/certificate-seeking undergraduates paying the in-state or in-district tuition rate who were awarded Title IV aid. Net price = Total cost of attendance (based on living off-campus, not with family) minus average aid. TN CC values are enrollment-weighted averages. Peer values are medians.

Local Comparisons

Key Insights

- ***With some exceptions, published in-state tuition and fees are generally less expensive in Tennessee than out-of-state tuition and fees at institutions in nearby states. However, in competing for enrollments, many institutions may discount tuition for border-state residents.***

Comparing tuition rates and net prices to national peers provides a sense of whether tuition and affordability in Tennessee are generally aligned with similar institutions elsewhere. These comparisons do not, however, answer the question of whether Tennessee institutions' tuition is competitive with out-of-state institutions that may attract Tennessee students. To understand this local tuition marketplace, we compared published in-state tuition and fees at Tennessee institutions with published out-of-state tuition and fees at institutions within 75 miles of the Tennessee border.

Nationwide, total undergraduate enrollment⁸ and college-going rates⁹ have declined in recent years, and the number of high school graduates is expected to decrease in many states in the coming years.¹⁰ Under these circumstances, colleges find themselves competing for enrollment, and there is pressure to attract more students from a wider geographic area, with pricing strategies being a major tool in that effort. Institutions in both Tennessee and nearby states feel this pressure.

Figure 34 and Figure 35 show the published in-state tuition and fees at Tennessee institutions and the published out-of-state tuition and fees at nearby out-of-state institutions. Figure 34 includes R2 and other research institutions (not R1s) and Figure 35 includes four-year institutions that are not classified as research institutions. (Proximity tends to matter less to students attending R1 institutions,¹¹ and Tennessee community college students have strong financial aid incentives to stay in-state, so we have not included maps of those sectors here.)

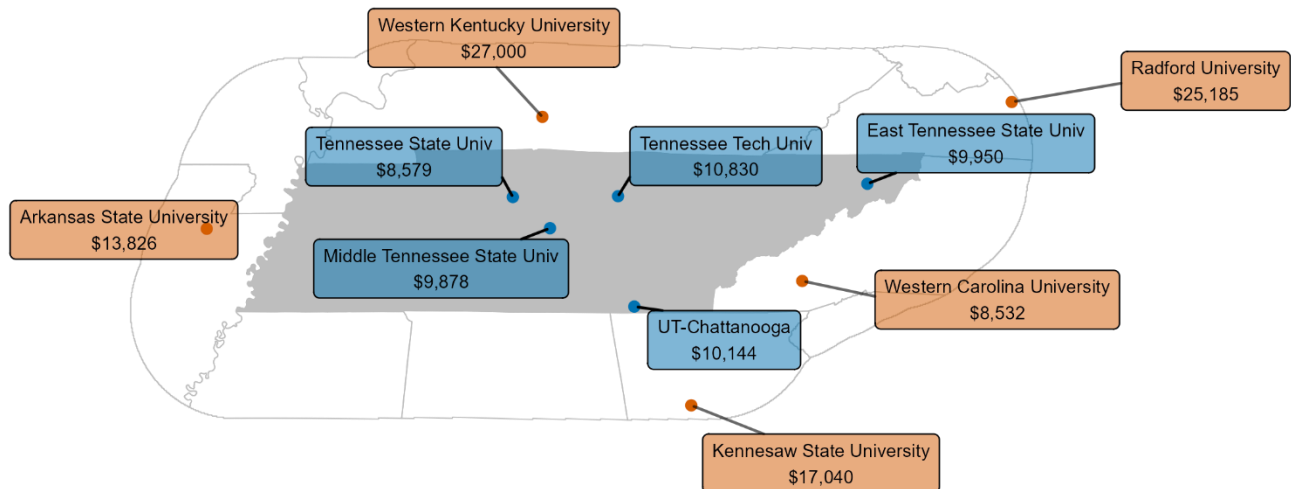
⁸ National Center for Education Statistics, U.S. Department of Education, Institute of Education Sciences., "Undergraduate Enrollment," *Condition of Education*, May 2023, <https://nces.ed.gov/programs/coe/indicator/cha/undergrad-enrollment>.

⁹ National Center for Education Statistics, U.S. Department of Education, Institute of Education Sciences., "College Enrollment Rates," *Condition of Education*, May 2024, <https://nces.ed.gov/programs/coe/indicator/cpb>.

¹⁰ Patrick Lane et al., "Knocking at the College Door: Projections of High School Graduates," Western Interstate Commission for Higher Education, December 2024, <https://www.wiche.edu/knocking>.

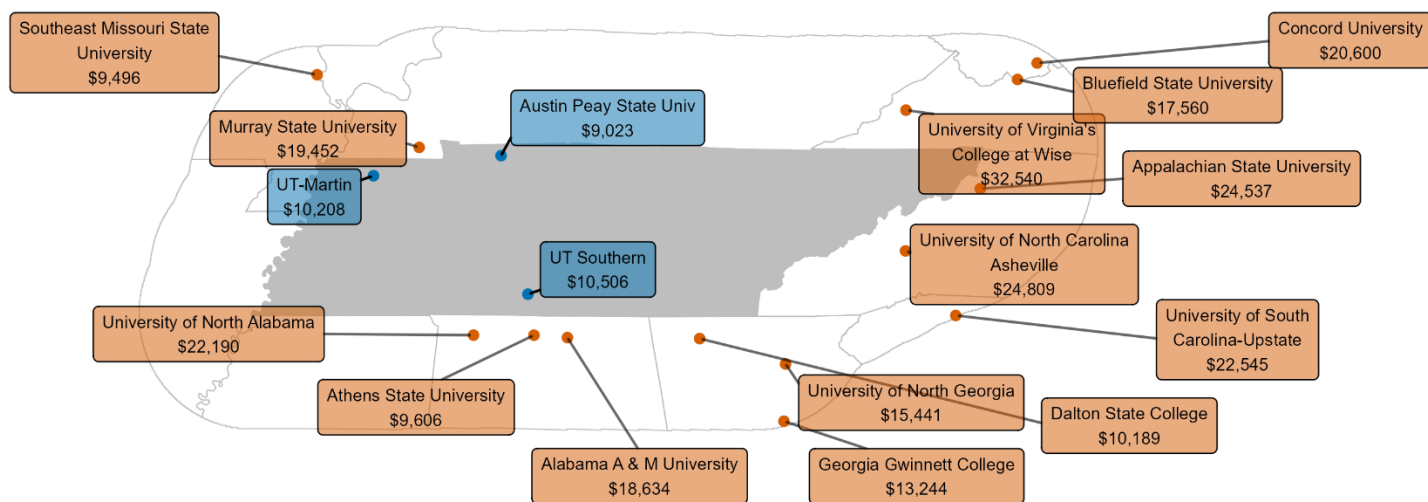
¹¹ Nick Hillman, "Geography of Opportunity Series | Brief #2: How Far Do Students Travel for College?," The Institute for College Access & Success,

Figure 34. Published Full-Time Undergraduate Tuition and Fees Applicable to Tennessee Residents at Public Research (R2 and Other) Universities within 75 Miles of Tennessee's Border



Sources: Data for TN institutions from THEC. Data for peers from NCES IPEDS Institutional Characteristics ic2023_ay file. Note: Includes published full-Time in-State undergraduate tuition and fees for TN institutions and published full-Time in-State undergraduate tuition and fees for out of state institutions. Includes institutions within 75 miles of the TN border.

Figure 35. Published Full-Time Undergraduate Tuition and Fees Applicable to Tennessee Residents at Public Master's/Bachelor's Universities within 75 Miles of Tennessee's Border



Sources: Data for TN institutions from THEC. Data for peers from NCES IPEDS Institutional Characteristics ic2023_ay file. Note: Includes published full-Time in-State undergraduate tuition and fees for TN institutions and published full-Time in-State undergraduate tuition and fees for out of state institutions. Includes institutions within 75 miles of the TN border.

October 2023, https://ticas.org/wp-content/uploads/2023/11/Hillman-Geography-of-Opportunity-Brief-2_2023.pdf.

Several of these institutions offer out-of-state tuition that is competitive with in-state Tennessee prices. While THEC may want to consider these prices as it approves its tuition policy, it is important to note that the published out-of-state rate may not accurately reflect the tuition that local out-of-state students pay. Some institutions, both in Tennessee and elsewhere, offer discounts on out-of-state rates or special tuition rates to residents living in counties near state borders. Most prominently, UT Southern does not charge out-of-state tuition at all. Other examples include [UT Chattanooga](#), East Tennessee State, which offers both [border state](#) and [border county](#) discounts, [Athens State](#) in Alabama, and [Murray State](#) in Kentucky. Additionally, many institutions in both Tennessee and nearby states participate in the Southern Regional Education Board's (SREB) Academic Common Market, which offers discounts on out-of-state tuition to a limited number of students in selected academic programs. Other institutions may offer institutional financial aid designed to attract out-of-state students.

Due to market pressure, Tennessee institutions—even in the absence of restrictive limits from THEC—have some incentive to keep in-state tuition relatively low; otherwise, they risk losing enrollment from Tennessee students who could choose to enroll out-of-state.

Net Prices and the Shared Responsibility Model of Affordability

Key Insights

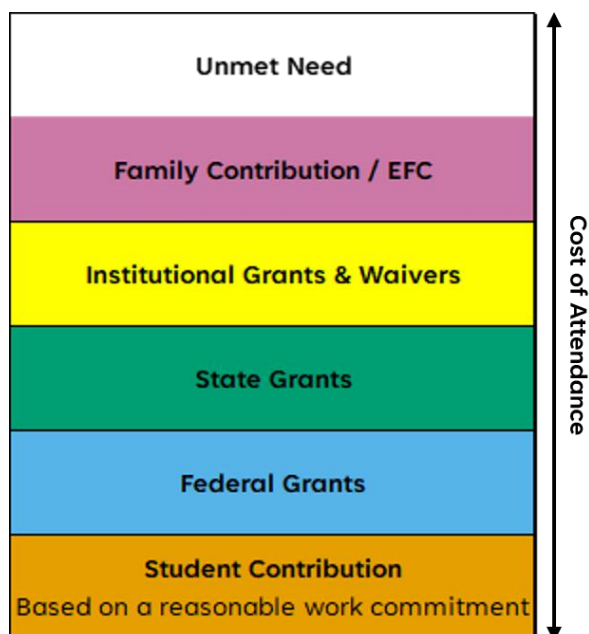
- ***For full-time, in-state undergraduates in 2023-24, the combination of student work and grant aid, even before any family contribution, is enough to pay for tuition and fees at all of Tennessee's public institutions for students of all income levels.***
- ***The average student from a lower-income family at most Tennessee institutions will be left with some unmet need; the combination of student work, grant aid, and expected family contribution is not enough to cover their entire cost of attendance.***

Another way to define student affordability is to look at the level of students' unmet financial need. We calculate unmet need, which varies based on family income, using the shared responsibility model depicted in Figure 36. We assume that each student will contribute funds to their education from a reasonable work commitment, defined for our analysis as the equivalent of 15 hours a week at Tennessee's minimum wage of \$7.25 per hour. As working more hours has been shown to slow student progress and reduce graduation, we have kept the hours relatively modest.¹² We then add federal, state, and institutional grants. The amount left over is what students and their families must contribute. We compare that amount to the federal government's calculation of Expected Family Contribution (EFC). The EFC, which has been phased out in recent changes to federal policy in favor of an alternative measure, nevertheless is a metric that

¹² Walter G. Ecton et al., "Earning to Learn: Working While Enrolled in Tennessee Colleges and Universities," *AERA Open* 9 (January 2023): 23328584221140410, <https://doi.org/10.1177/23328584221140410>.

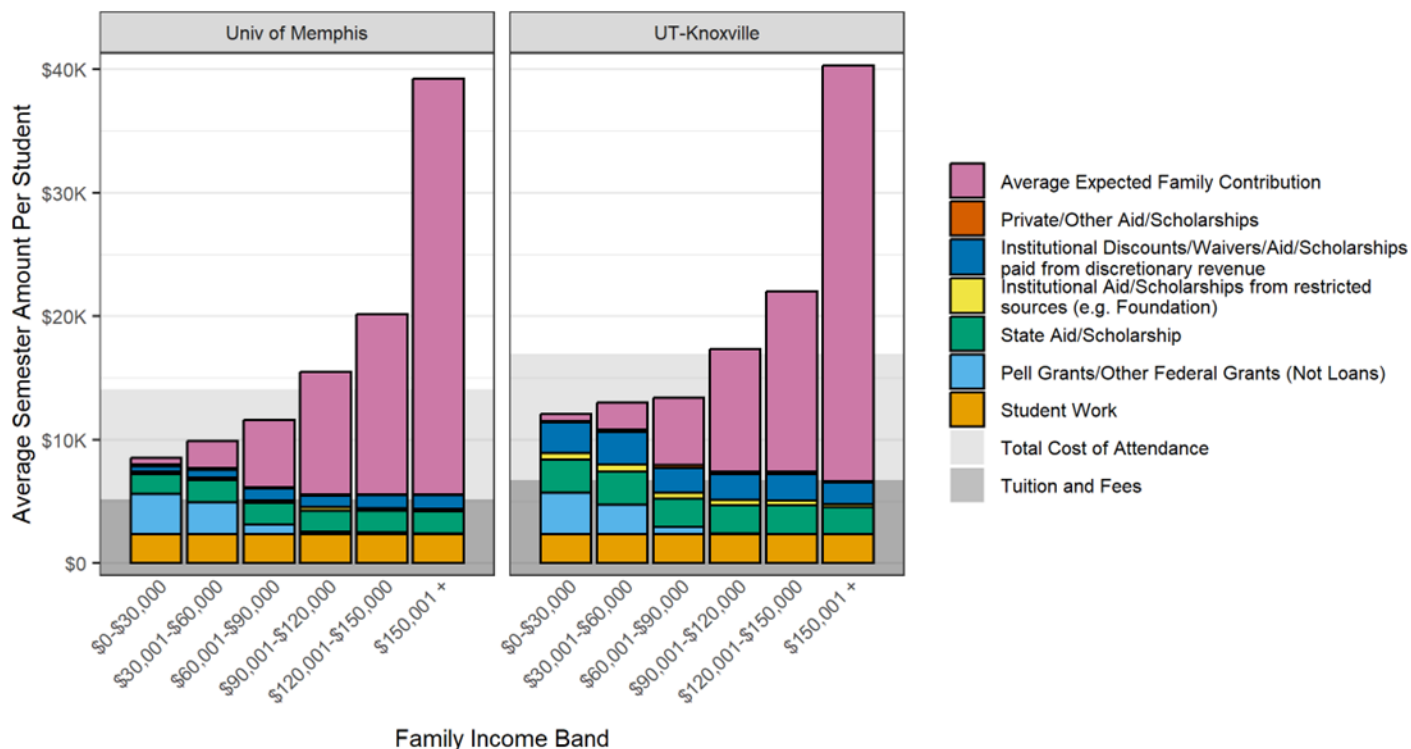
attempted to quantify students' families' capacity to pay and remains the best proxy currently available. A student's EFC varies by their family income; students with higher family incomes have higher EFCs. If the remaining cost of attendance—after the student contribution and grants—exceeds the EFC, the student has unmet need.

Figure 36. The Shared Responsibility Model of Student Affordability



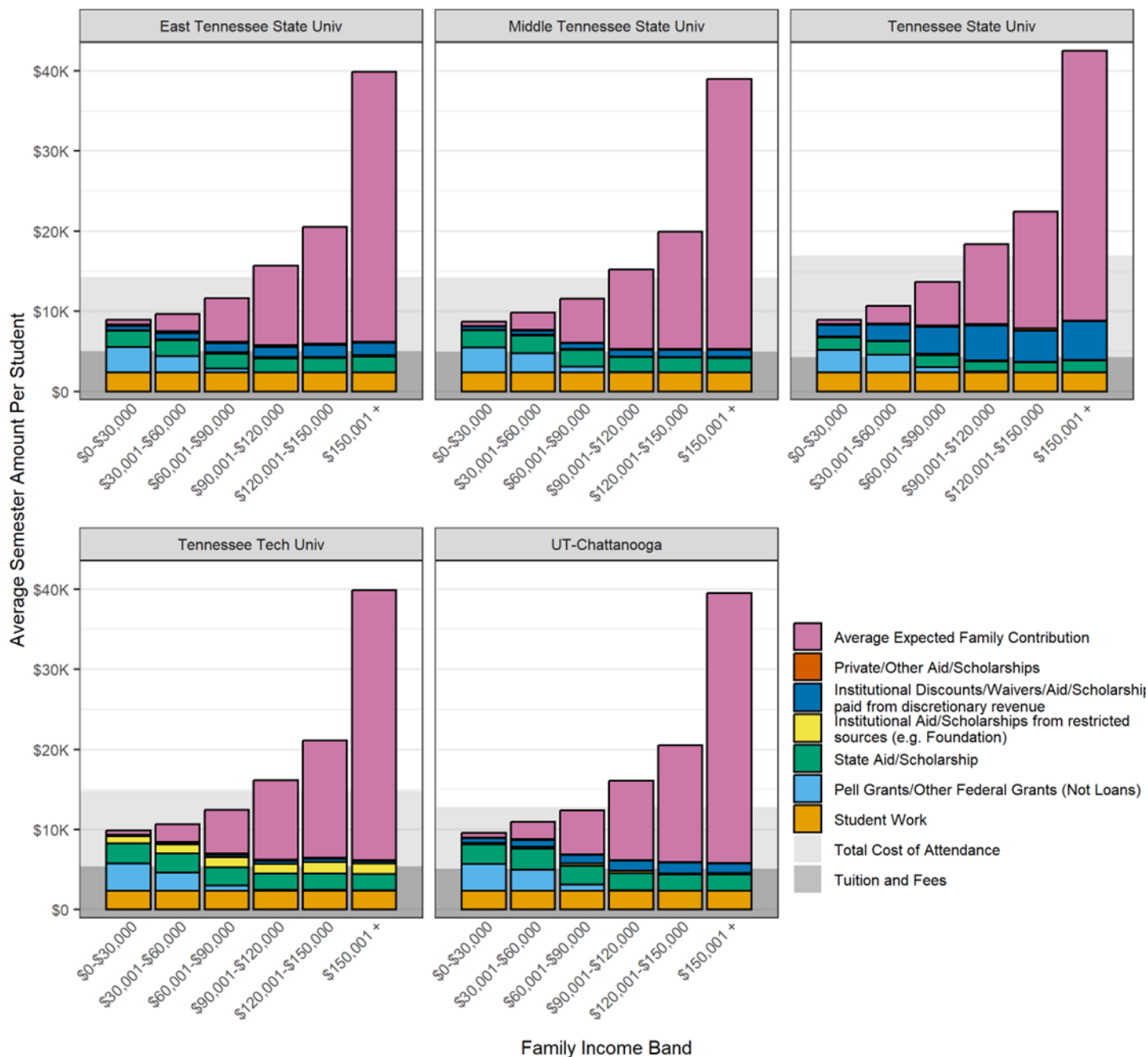
We analyzed affordability across Tennessee public institutions defined in this way, which goes beyond tuition rates to also include students' level of financial need, the amount of financial assistance they receive, and their entire cost of attendance (including housing, food, books, transportation, etc). We focused on full-time students whose tuition and costs of attendance are more consistent than those of part-time students. Of course, there is variability among individual students; the following figures display averages. For full-time, in-state undergraduates in 2023-24, the combination of student work and aid, even before any family contribution, is enough to pay for tuition and fees at all of Tennessee's public institutions for students of all income levels. It is not, however, enough to cover students' entire cost of attendance. For students from higher-income families, the expected family contribution is enough, or more than enough, to pay for the remaining cost of attendance. The average student from a lower-income family, however, will be left with some unmet need. These trends hold true across all public Tennessee institutions; see Figure 37, Figure 38, Figure 39, and Figure 40.

Figure 37. Single-Semester Costs, Aid, and Need of Full-Time, In-State Undergraduates in 2023-24 by Family Income, Research (R1) Universities



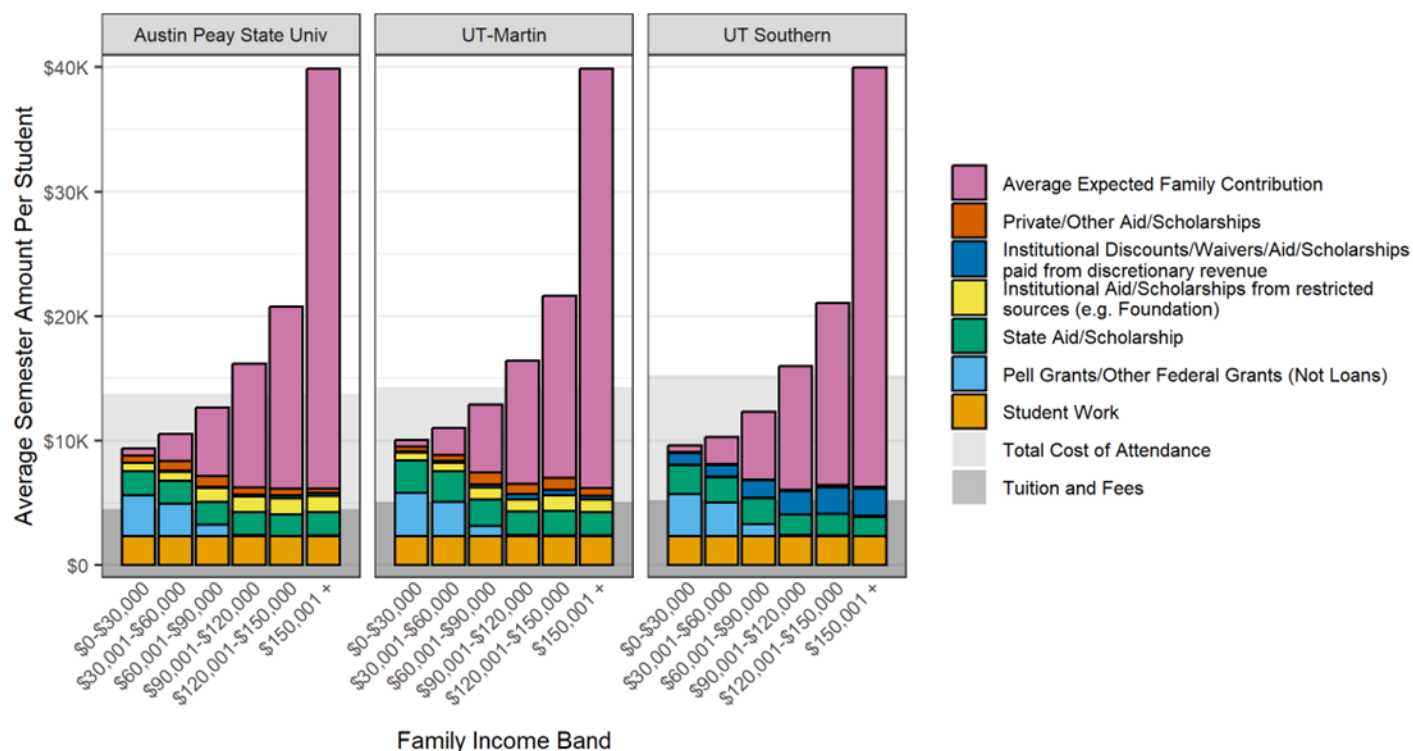
Source: THEC. Represent single-semester average aid per student in fall, spring, and summer Semesters. Averages include students who did not receive any aid. Tuition, costs of attendance, and EFC represent annual values divided by two. Cost of Attendance includes tuition, mandatory fees, books/supplies, room, board, transportation, and personal expenses. Costs of attendance are based on the higher value of dependent or independent budgets. EFC is the nationwide average for each income band from NPSAS20:AC. Student work is based on 90% of 15 hours/week for 24 weeks at \$7.25/hour.

Figure 38. Single-Semester Costs, Aid, and Need of Full-Time, In-State Undergraduates in 2023-24 by Family Income, Research (R2 and Other) Universities



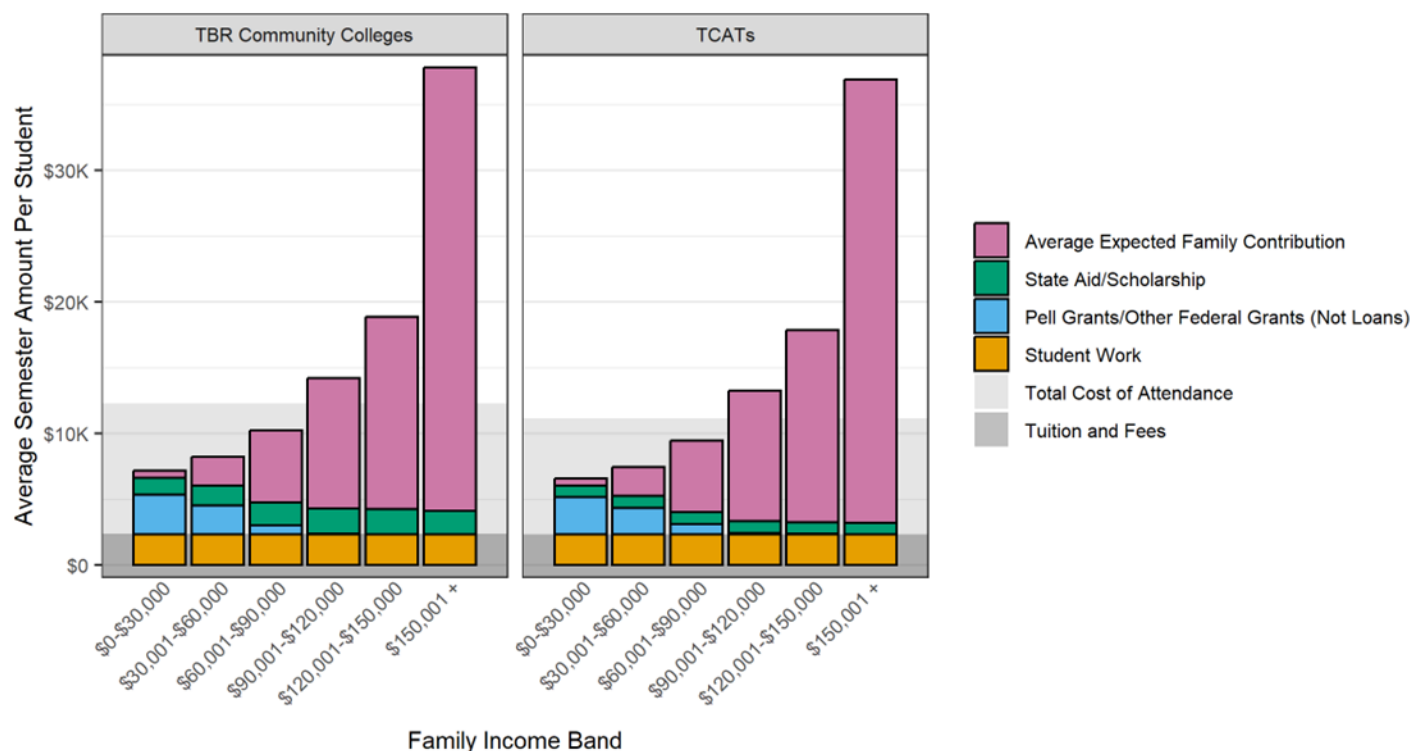
Source: THEC. Represent single-semester average aid per student in fall, spring, and summer Semesters. Averages include students who did not receive any aid. Tuition, costs of attendance, and EFC represent annual values divided by two. Cost of Attendance includes tuition, mandatory fees, books/supplies, room, board, transportation, and personal expenses. Costs of attendance are based on the higher value of dependent or independent budgets. EFC is the nationwide average for each income band from NPSAS20:AC. Student work is based on 90% of 15 hours/week for 24 weeks at \$7.25/hour.

Figure 39. Single-Semester Costs, Aid, and Need of Full-Time, In-State Undergraduates in 2023-24 by Family Income, Master's/Bachelor's Universities



Source: THEC. Represent single-semester average aid per student in fall, spring, and summer Semesters. Averages include students who did not receive any aid. Tuition, costs of attendance, and EFC represent annual values divided by two. Cost of Attendance includes tuition, mandatory fees, books/supplies, room, board, transportation, and personal expenses. Costs of attendance are based on the higher value of dependent or independent budgets. EFC is the nationwide average for each income band from NPSAS20:AC. Student work is based on 90% of 15 hours/week for 24 weeks at \$7.25/hour.

Figure 40. Single-Semester Costs, Aid, and Need of Full-Time, In-State Undergraduates in 2023-24 by Family Income, Community Colleges and TCATs



Source: THEC. Represent single-semester average aid per student in fall, spring, and summer Semesters. Averages include students who did not receive any aid. Tuition, costs of attendance, and EFC represent annual values divided by two. Cost of Attendance includes tuition, mandatory fees, books/supplies, room, board, transportation, and personal expenses. Costs of attendance are averages weighted by full-time student headcount, and are based on the higher value of dependent or independent budgets. EFC is the nationwide average for each income band from NPSAS20:AC. Student work is based on 90% of 15 hours/week for 24 weeks at \$7.25/hour.

Institutional Discounts

Key Insights

- Some Tennessee institutions award much higher amounts of institutional aid from discretionary revenue than others.
- Tennessee's public research universities generally award higher amounts of institutional aid to out-of-state students than in-state students, though out-of-state students usually still net the institution more revenue per student than in-state students.
- THEC universities generally award higher levels of institutional aid to higher-income students.

We further examined the specific category of institutional aid paid out of discretionary revenue, also known as discounts. This represents the aid that institutions directly control, and it relates to tuition rates in several important ways. First, all other things equal, higher institutional aid

spending will result in lower tuition revenue. Institutions looking to increase tuition revenue can reduce their spending on institutional aid, and they may experience increased pressure to do so when THEC's tuition-increase limits are low. However, this is only true to the degree that institutional aid expenditures are not closely tied to the institution's ability to recruit enough students to fill their entering class, or enough students with a similar profile of their ability to pay. This condition is becoming increasingly unlikely to be met, as the number of high school graduates is projected to decline nationally, and institutions are growing more intensely competitive in using their aid to attract students in response. Additionally, some institutions spend far less on institutional aid than others and therefore have less flexibility to make those kinds of financial adjustments.

Second, when institutions have greater freedom to increase tuition, they may choose to raise published tuition rates to fund increased amounts of institutional aid. This can have the effect of raising the net price for some students and lowering it for others. For example, an institution may use revenue from higher out-of-state tuition to fund discounts or to limit increases in published prices for in-state students; revenue and aid data suggest that Tennessee institutions may be doing this. Another possible use of institutional aid is for institutions to charge students from high-income families an amount close to the full sticker price but greatly discount tuition for lower-income students in order to reduce their unmet need. This is generally *not* how institutional aid is distributed in Tennessee. Because students from higher-income backgrounds tend to be better prepared for college and to succeed in college at higher rates than others, and because Tennessee's outcome-based funding formula distributes state appropriations based on student success metrics, Tennessee institutions have a financial incentive to use institutional aid to attract high-income students.

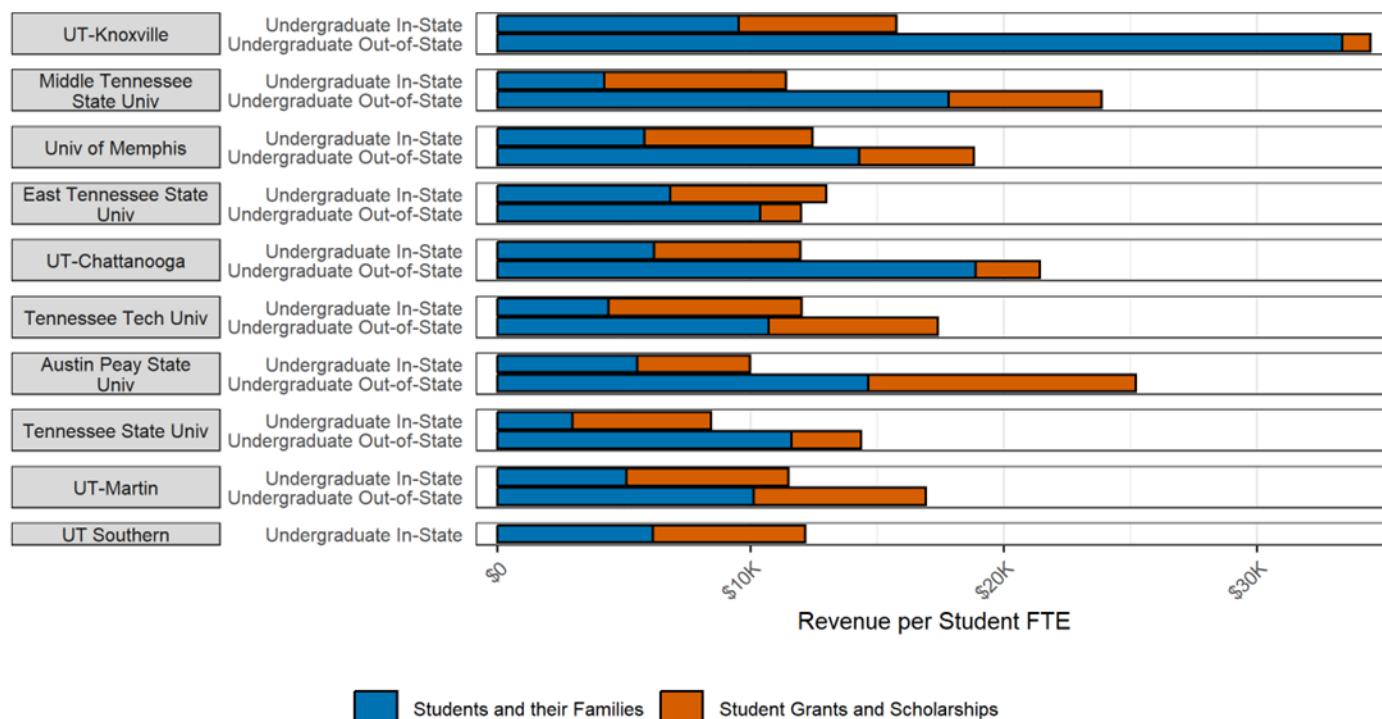
Figure 42, Figure 43, and Figure 44 display the per-student institutional aid each institution awarded to full-time students in 2023-24. Most of the R1 and R2 universities awarded higher amounts of aid to out-of-state students compared to in-state students. This is a relatively common practice that helps institutions recruit out-of-state students. Because out-of-state tuition rates are higher than in-state rates, these high levels of aid still usually result in more tuition revenue per out-of-state student than what they collect from the average in-state student.

Figure 41 shows the amount of revenue each institution received per FTE for in-state and out-of-state students in 2023-24 (classified by their tuition category, not the location of their home); in most cases, revenue per out-of-state FTE is higher. At UTK and Tennessee State, used as examples because they enroll large and growing percentages of out-of-state students, each out-of-state student is responsible for significantly more revenue than each in-state student. This is also true at most of the other Tennessee institutions.

East Tennessee State is an exception: it obtains *fewer* dollars for each out-of-state student than it does for each Tennessee resident student. (Note that Tennessee residents themselves still pay less than out-of-state students at ETSU due to financial aid.) ETSU's published out-of-state rate is higher than its in-state rate, so its lower out-of-state revenue per FTE is likely due to the fact that the institution maintains several other tuition pricing levels that apply to different students beyond simply those two categories, such as a border-state rate and a 100%-online out-of-state rate. This reality underscores the fact that THEC's tuition policy is only one of multiple factors

impacting student affordability; institutional decision-making around tuition categories and aid awarding practices also play significant roles.

Figure 41. Tuition and Fee Revenue per Student FTE by Source, 2023-24



Source: Institutions and THEC. Includes Fall 2023, Spring 2024, and Summer 2024. Residency is based on fee pay status, not students' home locations. Student grants and scholarships do not include institutional awards from unrestricted funds or student refunds that do not represent revenue to the institution. Student grants and scholarships are applied proportionately to tuition, mandatory fees, and non-mandatory fees. This may underestimate the amount students and families pay for tuition and fees in cases where scholarships pay the institution for housing, books, or food.

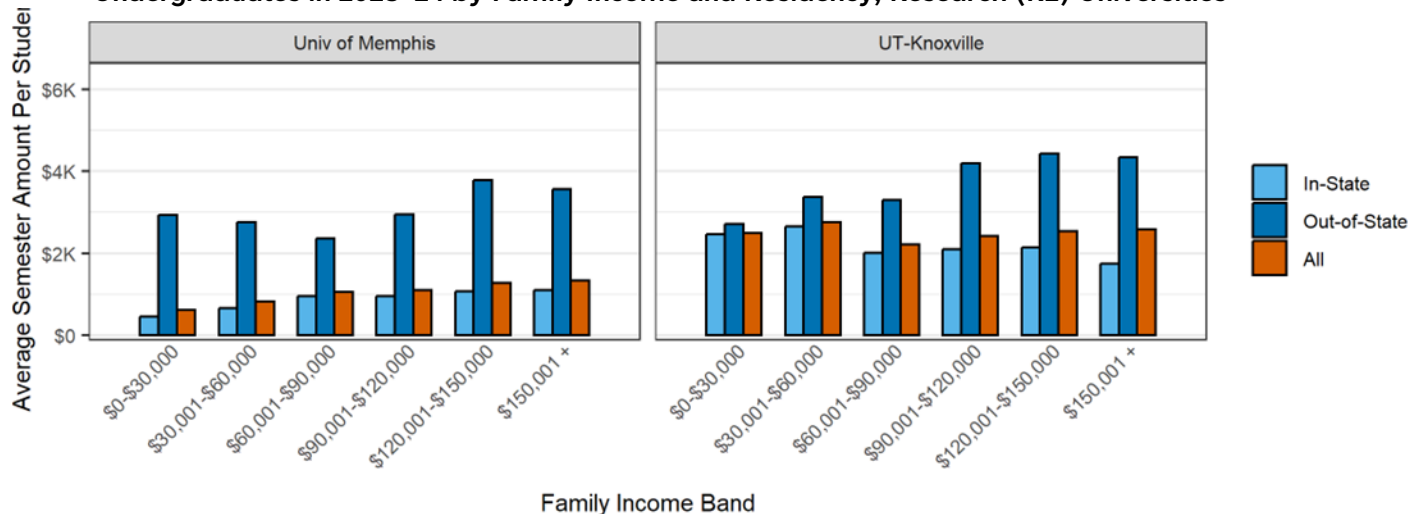
In contrast to the research universities, Tennessee's Master's/Bachelor's universities do not award high amounts of institutional aid to out-of-state students (Figure 44). This makes sense given these institutions' role and mission, which includes prioritizing regional access for Tennessee residents. Data on institutional aid for the TBR institutions were not available, but service to out-of-state students is even less central to their missions, with the possible exception of any of those campuses located close to the border with a service area that reaches into the adjacent state.

Another common pattern emerges from these data: Most of Tennessee's universities award higher amounts of aid to students from higher-income families. With limited exceptions, these institutions do not appear to prioritize using discretionary aid to reduce unmet need for low-income students. Research has shown that institutional scholarships that do not take need into account often end up benefiting wealthier students.¹³ This practice has the potential to undermine

¹³ College Board, "Trends in Student Aid 2019," *Trends in Higher Education*, November 2019, <https://research.collegeboard.org/media/pdf/trends-student-aid-2019-full-report.pdf>.

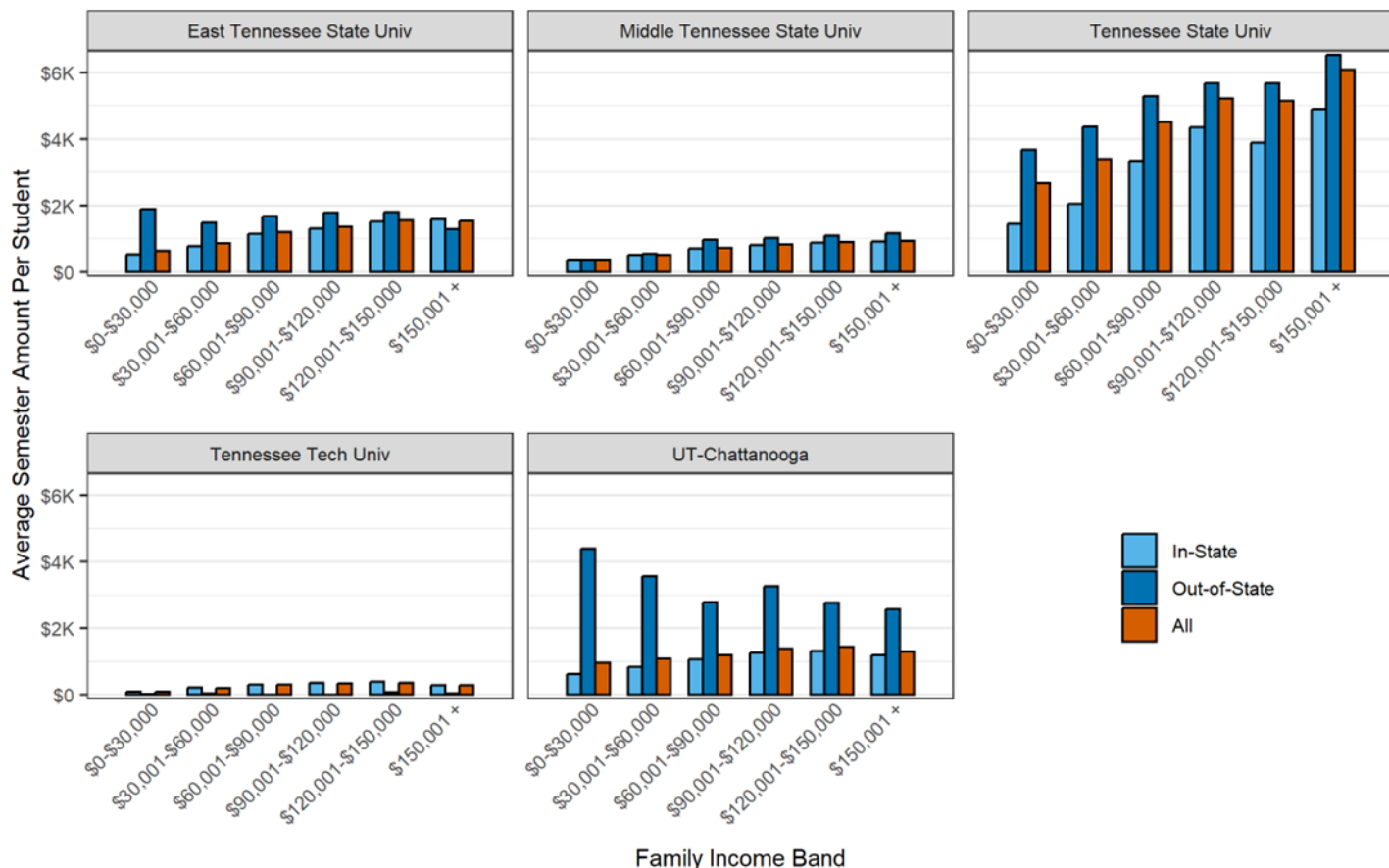
the goal of affordability, particularly for low-income students, that THEC aims to advance through both tuition policy and state financial aid programs. One of the exceptions is UTK, which does award higher amounts of institutional aid, among in-state students, to those who are lower-income. This is consistent with the goals of its UT Promise scholarship, which is only available to Tennessee residents below a certain family income threshold. Even at UTK, however, large amounts of institutional aid reach students and families with considerable wealth, especially among those who are not residents of Tennessee.

Figure 42. Single-Semester Institutional Aid from Discretionary Sources for Full-Time Undergraduates in 2023-24 by Family Income and Residency, Research (R1) Universities



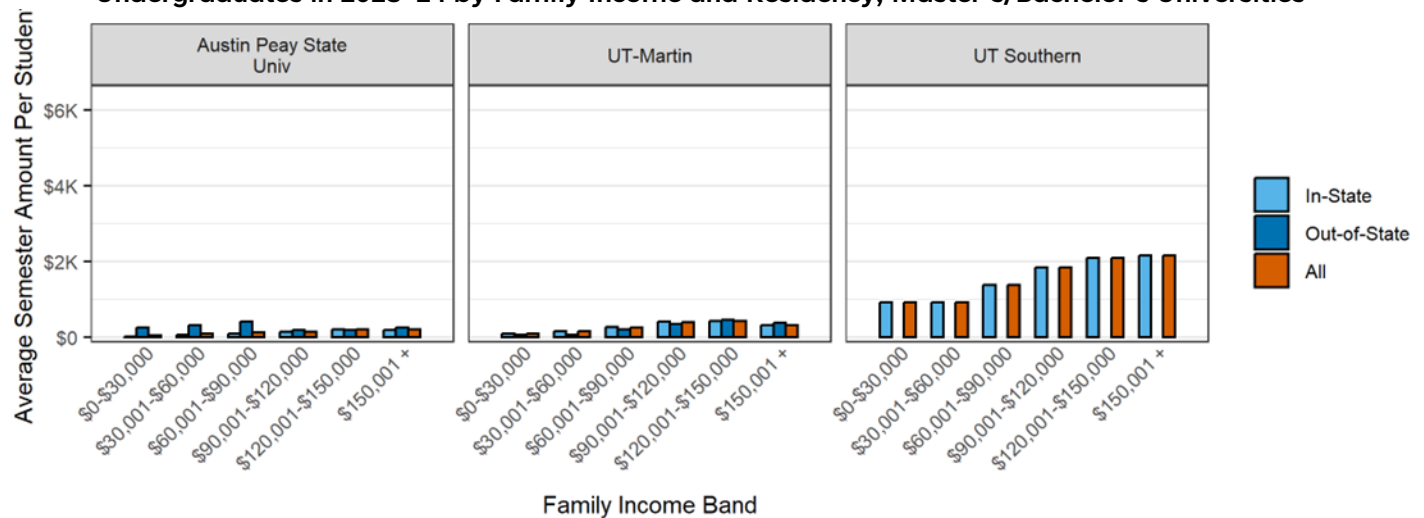
Source: THEC. Represent single-semester average aid per student in Fall, Spring, and Summer Semesters. Averages include students who did not receive any aid.

Figure 43. Single-Semester Institutional Aid from Discretionary Sources for Full-Time Undergraduates in 2023-24 by Family Income and Residency, Research (R2 and Other) Universities



Source: THEC. Represent single-semester average aid per student in Fall, Spring, and Summer Semesters. Averages include students who did not receive any aid.

Figure 44. Single-Semester Institutional Aid from Discretionary Sources for Full-Time Undergraduates in 2023-24 by Family Income and Residency, Master's/Bachelor's Universities



Source: THEC. Represent single-semester average aid per student in Fall, Spring, and Summer Semesters. Averages include students who did not receive any aid.

Findings Summary

Our analyses yield several overall findings:

- In Tennessee, the state contributes a higher share of public postsecondary revenue, and students contribute a lower share, than the national average. State appropriations have also grown faster than tuition revenue in Tennessee. These trends reflect Tennessee's emphasis on student affordability.
- Total education revenue, which includes state appropriations, student financial aid, and tuition revenue, is higher in Tennessee (per student FTE) than the national average. Additionally, most Tennessee institutions are financially stable as measured by operating ratios, though there are differences by institution.
- Although most of Tennessee's public institutions have higher published tuition and fee rates (for in-state undergraduates) than national comparison groups, Tennessee institutions' rates have generally grown more slowly, and net prices in Tennessee are generally lower.
- Grant aid, plus a limited amount of student work, is enough to pay for full-time, in-state tuition and fees at all of Tennessee's public institutions. The combination of grant aid and work is not enough to cover the full cost of attendance for students from lower-income backgrounds, who receive lower amounts of institutional aid than higher-income students at many Tennessee institutions.
- Each of Tennessee's public institutions is different in its composition of students, revenue sources, and institutional aid awarding practices. This means that THEC's tuition policy has uneven impacts on institutions' behavior and financial health:
 - THEC's tuition policy impacts institutions' financial health and sustainability. Yet because it affects just one category of tuition and therefore only one source of

institutional revenue, those impacts vary across the state's public institutions, which have multiple revenue streams of varying magnitude. Beyond in-state undergraduate tuition and fees, these revenue streams include state appropriations, tuition and fee revenue that is not subject to THEC's policy—out-of-state tuition, graduate tuition, and nonmandatory fees—and institutional capacity to raise and distribute financial aid from its own resources. This reality is compounded by the fact that THEC has used it to limit growth based on a percentage increase. Yet institutions that are already permitted to charge a higher published amount are able to generate more additional money at any given percentage increase than institutions with a lower current price (all other things equal).

- Although THEC's tuition policy annually establishes an important base for student affordability, other factors also help determine what students actually pay to attend college. Increasingly important to student affordability is the role that grant aid plays in reducing students' out-of-pocket expenses, especially state spending on student financial aid and institutional policies and practices for awarding grant aid.

In aggregate, the combination of higher education finance policies in Tennessee, including THEC's tuition policy, appears to be producing reasonable results in terms of financial support for institutions and in limiting the burden imposed on student tuition payments to cover educational costs. A closer look reveals differences between institutions and among groups of students that suggest room for improvement, however.

Of particular concern is that THEC's authority is relatively weak as a lever for ensuring affordability and (especially as a single binding limit applying to all institutions) as a complement to broader policies (appropriations, mission differentiation) that are essential for supporting thriving public institutions across the state. THEC's attention to student affordability is too narrowly defined by and inadequately monitored through THEC's authority to set a limit on published tuition prices for in-state undergraduates. In serving the public interest, THEC can ensure that the topic of student affordability is treated with the complexity and sophistication it deserves, even if its ability to directly influence the prices students pay remains limited.

There is opportunity to better align institutional practices with state policies, and state policies with one another, to improve further on THEC's goals. The recommendations that follow address the narrow question of how THEC might adjust the way it exercises its limited authority over tuition, in view of its expanded ability to set multiple limits on tuition prices rather than a single binding one, while also suggesting ways that THEC can more effectively advance policy supporting affordable access, institutional financial health, and the responsible use of state resources in alignment with state goals.

Recommendations

Recommendations Summary

- **Recommendation 1. Develop a method for defining adequate funding levels.**
- **Recommendation 2. Set targets for the division of instructional costs between students and the state.**
- **Recommendation 3. Require institutions to articulate a rolling multi-year plan for pricing and aid strategy, combined with future financial forecasts.**
- **Recommendation 4. Adjust the tuition model used to identify suggested tuition ranges.**
- **Recommendation 5. Request additional data/reporting from institutions.**
- **Recommendation 6. Create a robust application process with clear criteria for granting exceptions to the tuition policy.**
- **Recommendation 7. Highlight how nonmandatory fees impact affordability**

To review, THEC's tuition policy has been set annually according to the following method. First, THEC staff identify ranges for recommended tuition limits using a quantitative model. Informed by those ranges, the Commission then adopts a single, binding tuition increase limit. The model that THEC staff uses to put forward a recommendation for the Commission to consider in setting that limit has, as its chief strengths, its predictability and its attempt to account for multiple sources of revenue in assessing institutional funding needs.

This method also has the following weaknesses:

- The tuition model relies on overall enrollment, revenue, and discount rates for each institution. Those numbers include out-of-state students, graduate students, and other revenue sources, but the tuition policy only applies to in-state undergraduate tuition and mandatory fees. This means that the model may not achieve its goal of recommending a tuition increase that results in stable (inflation-adjusted) revenue, because the policy only influences a portion of that revenue.
- The tuition policy has a greater impact on some institutions than others, because some institutions rely more heavily on in-state undergraduate tuition and mandatory fees as a source of revenue. In contrast, others have more capacity to successfully attract a greater number of students, both generally and among those who are not subject to the THEC policy. This affords such institutions greater flexibility in raising revenue from tuition payments, as well as in fine-tuning their institutional aid policies and discounting rates which gives them an advantage over other Tennessee public universities in attracting in-state undergraduates. Additionally, some institutions have larger existing discount rates built into the model compared to others, which means they have greater flexibility to adjust both revenue and institutional aid to meet their goals.

- The method assumes that the previous year's revenue per FTE, plus inflation, serves as an appropriate funding target for future years. This means that the model underlying the tuition policy does not account for changes in the institution's cost structure that could result from shifts in the program array, changes in the student population, or other factors. It also assumes that past funding levels have been adequate.
- The method is disconnected from other policies and programs that have related goals, such as outcomes-based funding, quality assurance funding, and state financial aid. The model may create incentives that are at odds with those of other policies.
- The method's scope is a single year at a time. It does not contemplate how multi-year trends in pricing, aid, enrollment, and revenue either contribute to or detract from the State of Tennessee's goals. A longer view of trends over time would help THEC refine its decision-making.

NCHEMS' recommendations are designed to preserve the current method's considerable strengths while addressing its weaknesses. We offer the following recommendations for THEC to consider.

Recommendation 1. Develop a method for defining adequate funding levels.

One key question that THEC must answer before it can set appropriate tuition limits—or request appropriate amounts of state appropriations—is: How much total funding does each institution need to carry out its educational mission? Defining adequacy helps balance institutions' needs for sufficient funding to meet Tennessee's goals with the state's desire to ensure taxpayer dollars are spent responsibly.

THEC's current tuition model defines adequacy as the previous year's revenue adjusted for inflation, which is an assumption that should be examined. We recommend defining adequacy based on a relevant set of peer institutions from around the nation. For this analysis, we have used broad comparison groups; moving forward, THEC and the institutions may wish to define smaller, institutionally-specific peer groups carefully selected for their similarity to each Tennessee institution. THEC should compare each institution's unrestricted E&G revenue to its adequacy target on an annual basis, and use that comparison to aid its decision-making in setting tuition policy as well as making other policy and funding decisions.

Recommendation 2. Set targets for the division of instructional costs between students and the state.

Once THEC has defined funding adequacy for each institution, its next step should be to set targets for what portion of that funding the state should be responsible for and what portion students should be responsible for. These targets should differ by type of institution; typically, states cover larger portions of two-year institutions' expenses than they do for four-year institutions. They also usually cover a higher proportion of the expenses of comprehensive universities than of research universities.

THEC has historically set targets along the lines of this recommendation, though they have not been emphasized recently. THEC's existing targets for the state's share of educational costs are 55% at universities, 66% at community colleges, and 80% at TCATs. Moving forward, we recommend that THEC set a different target specifically for UTK, which, due to its large size and

unique ability to attract out-of-state students, likely requires a lower state funding percentage. To be clear, these are not targets to be set for individual students, which would be too restrictive in an environment where some students pay less and others pay more, reflecting their differing abilities to pay and institutional priorities in constructing their student bodies. Instead, the targets should be based on the aggregate amount of an institution's discretionary revenue that represents the most appropriate mix of funding that should come from the state and from students, given that institution's distinct mission.

Identifying both adequacy and student share goals will help promote policy alignment across funding streams, including tuition, state appropriations, and state financial aid. All three sources must work in concert to affect both adequacy and affordability; tuition policy cannot do this on its own.

Recommendation 3. Require institutions to articulate a rolling multi-year plan for pricing and aid strategy, combined with future financial forecasts.

It is appropriate for THEC to set tuition limits and for institutions to adopt tuition rates on an annual basis. However, it is also important for institutions to have multi-year plans for their pricing and aid strategy that are connected with projections for where they expect to attract enrollment and associated revenue forecasts.

We recommend that THEC require institutions to provide these plans in written form to the Commission, but deem them to be confidential planning documents not subject to public disclosure. The plans need not be highly detailed, but should include targets for published tuition rates, student aid, net price, and enrollment for different categories of students, along with an explanation of the institution's reasoning. These plans should also connect enrollment, pricing, and aid to revenue numbers. Institutions should forecast how the plans are expected to impact revenue and their overall financial health. Crucially, this requirement should not be used to encroach on each institution's freedom to establish tuition rates for out-of-state students and graduate students, and nonmandatory fees.

The plans will have several benefits for the Commission: They will provide valuable context for THEC's tuition policy setting. They will help the Commission understand how each institution's pricing strategy contributes to the overall goals of affordability and financial sustainability, as well as their consistency with each institution's mission. Finally, the plans will help set the stage for any tuition-policy exception requests the institution chooses to submit (Recommendation #6).

NCHEMS believes the exception to Tennessee's normal rules concerning public disclosure is important. Without a guarantee of confidentiality, it is unlikely that Tennessee's institutions would be willing to provide sufficiently detailed descriptions of the opportunities, challenges, and solutions they are considering as the market for students evolves. THEC bears responsibility for statewide postsecondary planning, and its efforts in being strategic in setting forth plans and monitoring their implementation would be enhanced by candid and forthright dialogue with institutional leaders. This is not to suggest that these conversations are not happening currently, only that the ability to consult with one another on a more confidential basis would enhance THEC's ability to serve its coordinating functions on behalf of the public interest.

Recommendation 4. Adjust the tuition model used to identify suggested tuition ranges.

To address some of the weaknesses in the current model that the THEC staff uses to identify suggested tuition ranges, we recommend the following adjustments:

1. Tuition revenue included in the model should be specific to tuition from in-state undergraduates and mandatory fees, rather than total tuition and fee revenue.
2. Enrollment projections should also focus solely on in-state undergraduates. Additionally, they should be specific to each institution, not generalized by sector.
3. Discount rates should be updated annually and calculated specifically for in-state undergraduates.
4. Projections of state appropriations should assume stable performance on outcomes-based funding metrics. (This can likely be accomplished by simply allocating expected appropriations increases according to proportions reflective of the past several years.) This will prevent the model from calculating a tuition increase to backfill funding lost to poor performance, or flat tuition in response to an increase in state funding due to strong performance.
5. Set separate ranges for two-year, bachelor's/master's institutions, and research institutions. Currently, THEC approves a single tuition increase limit for all of Tennessee's public institutions. As this report has demonstrated, institutions in the same sector often face more similar circumstances and market conditions than the setting of a single rate binding on all institutions acknowledges. Even a sector-based rate will not automatically account for the remaining, sometimes substantial differences in the circumstances prevailing at individual institutions, which is why a recommendation to follow establishes a rigorous, criteria-based process for THEC to grant exceptions to the sector-based rates it sets.

These changes will preserve the predictability of the current method, while populating the model with data more specifically associated with THEC's tuition policy and refining some of the data elements to be more accurate. These recommended adjustments will not change the underlying assumption that the previous year's revenue per FTE is the most appropriate target. Commissioners and THEC staff will need to compare the model's output to the identified adequacy and student share goals, then make adjustments in line with those goals.

Recommendation 5. Request additional data/reporting from institutions.

THEC's authority to set tuition policy affords it a valuable opportunity to holistically examine how well Tennessee's public institutions are balancing student affordability, institutional sustainability, and stewardship of state resources. Tuition policy cannot, on its own, ensure the state achieves those objectives, but it does contribute to them. Perhaps more importantly, the process of setting tuition policy provides the Commission with an annual occasion for accountability as it publicly examines Tennessee's success at meeting those goals.

NCHEMS recommends that THEC staff regularly gather some additional data from institutions that will allow the Commission to assess, in more detail, how well institutions are advancing these goals. More detailed data will also allow THEC staff to adjust its model for calculating

recommended tuition policy ranges to focus more specifically on in-state undergraduate students and mandatory fees, as recommended above. The data elements should include:

1. Tuition and fee revenue by student type (in-state, out-of-state, dual, graduate).

These data will help the Commission understand how its tuition policy impacts revenue, and how those impacts vary by institution. This information also allows the Commission to specifically track revenue from nonmandatory fees.

2. Institutional aid by student income level and type (in-state, out-of-state).

This information allows for a detailed calculation of net price—an important measure of affordability—for different types of students. It can further help the Commission understand how institutions are distributing restricted and unrestricted aid between in-state and out-of-state students at different income levels, and whether that institutional aid is furthering the same goals as the state financial aid programs THEC administers.

One larger goal that many higher education leaders across the country are focused on is student return-on-investment, or ROI. Measuring ROI allows for a clear affirmative answer to the question, “Is college worth it?” To ensure their students receive the highest possible return on their investment, colleges must attend to many factors, including affordability (including sticker price, net price, and students’ reliance on loans), student success (ensuring that students graduate, and do so in a timely manner), alignment between programs and workforce demand, and educational quality. Tennessee’s outcomes-based funding formula, quality assurance funding, and state financial aid programs already encourage improvement on many of these components. While THEC’s tuition policy only directly affects one specific ingredient of affordability—sticker price—publicly measuring how aid impacts net tuition revenue and net price is an important additional way that THEC can further encourage institutions to focus on student ROI.

Additionally, the Commission needs a clearer picture of how aid policies and practices intersect with tuition-setting decisions to produce revenue in different ways across the institutions, as well as how the results serve the goals of access and affordability, institutional financial health, and effective stewardship of public funds. Right now, lacking the kind of data we believe are important, THEC is relatively blind to the sophisticated ways that institutions respond to its binding tuition limitation, whether by keeping net prices as low as possible for all Tennessee students, attracting students who face tuition rates not governed by that policy, allocating discretionary revenue to fund aid awards in ways inconsistent with state goals, or other means. Nor does THEC have the information to appreciate where its policies may have a disproportionate impact on some institutions’ bottom lines.

When combined with revenue information, the additional data on institutional aid facilitates a calculation of revenue per student FTE, after discounts. This allows for a nuanced assessment of how tuition rates, discounting, and revenue interact with one another at different institutions for different types of students. These analyses would also help THEC recognize how the shifting marketplace for student enrollments (from Tennessee and elsewhere) is creating more vulnerabilities for some institutions than for others.

We recognize that additional data submissions can create a burden for institutions, and additional analysis may be a burden for THEC staff. Therefore, as an alternative, THEC may consider instead

requiring an annual Affordability Report that each institution would compile on its own (or through its system office in the cases of TBR and UT institutions) and submit to the Commission. These reports would assess the status of affordability for different student audiences—including in-state and out-of-state students, full-time and part-time students, and students of different income backgrounds—at each institution, perhaps using the Shared Responsibility Model. Beyond tuition and mandatory fees, the reports should evaluate how institutional aid and nonmandatory fees impact affordability and how those impacts may differ across student groups. Again, this suggests no changes to institutions’ control over student charges outside the current scope of THEC’s tuition policy, only that such a report will simply shed light on affordability in a broader, more realistic manner than the current concentration on setting published prices for in-state undergraduates does.

To improve the usefulness of these data/reports, we additionally recommend that THEC staff determine a standard method for Tennessee institutions to calculate their estimated “Costs of Attendance” beyond tuition and fees. Affordability measurements depend greatly on these values, yet there is no standard method for determining them. Institutions estimate complex values, including, for example, off-campus food and housing costs. Their methodologies are likely to differ, and the end results are highly variable. If those costs were calculated in a consistent manner, affordability comparisons would be more trustworthy—and of course, students would benefit from more accurate information and financial aid calculations.

Recommendation 6. Create a robust application process with clear criteria for granting exceptions to the tuition policy.

The above adjustments to the methodology used to recommend tuition policy ranges to the Commissioners will address some of the current method’s challenges. However, each institution is still unique and will be impacted differently by the policy. In 2025, the Tennessee legislature allowed for THEC’s policy to specify multiple tuition ranges or to carve out exceptions to its policy.

If the Commission allows institutions to request exceptions to the tuition policy, the process and related criteria for those exceptions must be clear and objective. This will prevent THEC from being flooded with requests from every institution and will ensure that the limits THEC sets in its policy still retain importance. We recommend basing these criteria on a comparison of each Tennessee institution with a set of nationwide peers across multiple metrics. Such a peer set should be empirically established on the basis of similarities in size, scope (program mix and the intensity of instruction, research, and public service), audience (student characteristics), and other important characteristics (HBCU status). This type of objective method will help ensure that requests to raise tuition still keep Tennessee aligned with peers across the nation in terms of both affordability and revenue, which is connected to both financial sustainability and responsible use of state resources.

As an example, Table 3 uses IPEDS data to compare each Tennessee institution to peers on tuition revenue per FTE, state and local appropriations per FTE, published in-state tuition and fee rates, and net price. (These comparisons were all examined in more detail in the [Analysis](#) section.) We suggest that institutions with published tuition and fee rates that are lower than their national peers be considered for a possible exception to THEC’s tuition policy, particularly if they have values below their peers on one or more additional metrics.

The University of Memphis and Tennessee State are the two institutions with published in-state tuition and fee rates that are lower than peer medians in the most recent year of data available. Both were also lower than their peers in terms of net price and tuition revenue per FTE. Further, Tennessee State additionally received lower state appropriations per FTE than its peers.

Table 3. Exception Metrics: Tennessee Institutions' Differences from Peer Medians

Institution	Tuition Revenue per FTE (difference from peer median)	State + Local Appropriations per FTE (difference from peer median)	Published Undergraduate In-State Tuition and Fees (difference from peer median)	Net Price (difference from peer median)
	2022-23	2022-23	2023-24	2022-23
Univ of Memphis	-\$4,455	\$2,439	-\$1,610	-\$3,803
Tennessee State Univ	-\$3,102	-\$1,719	-\$1,297	-\$593
UT-Chattanooga	-\$1,921	\$1,109	\$269	-\$2,578
Colleges of Applied Technology	-\$818	\$1,399	\$501	-\$3,872
UT-Martin	-\$1,005	\$2,182	\$1,369	-\$4,215
UT Southern	-\$2,741	-\$428	\$1,667	-\$40
Middle Tennessee State Univ	-\$918	\$1,653	\$3	-\$857
Community Colleges	-\$670	\$707	\$567	\$30
Tennessee Tech Univ	-\$2,388	\$3,451	\$955	\$949
Austin Peay State Univ	-\$567	\$2,765	\$184	\$4,406
East Tennessee State Univ	\$702	\$7,197	\$75	\$214
UT-Knoxville	\$1,254	\$6,939	\$1,530	-\$984

Sources: IPEDS and THEC.

Beyond these peer comparisons, we suggest that exceptions be considered in the following circumstances:

1. An institution provides evidence that it is actively working to enroll a different mix of students (for example, enrolling more in-state undergraduates and fewer out-of-state students or graduate students) that will result in reduced revenue.
2. An institution provides evidence that it is actively working to increase institutional aid and distribute it in ways that further state priorities (for example, increasing aid to low-income students and reducing their reliance on loans, thereby improving ROI).
3. An institution provides evidence that the exception will allow it to offset other revenue sources (such as nonmandatory fees) in keeping with state or institutional goals.
4. An institution provides evidence that it is shifting its program array to include more expensive programs designed to better respond to student or community/state demand.
5. An institution provides evidence that a tuition increase would allow it to make progress towards the target balance between state and student revenue.
6. An institution provides evidence that a tuition increase would contribute toward its ability to reach a net revenue target linked to THEC's estimation of what that institution's adequate funding level should be.

7. An institution makes the case that a tuition increase is necessary to create reserves at an acceptable level. This particularly applies to TSU.

As a prerequisite to any exception, we also recommend that institutions demonstrate stable or improved performance on OBF measures. This will ensure that exceptional tuition increases cannot be used to compensate for lost funding resulting from poor performance.

Finally, we suggest requiring all exception requests to include the specific tuition increase that an institution is requesting. Commissioners should not approve unspecified or unlimited increases.

Recommendation 7. Highlight how nonmandatory fees impact affordability.

Require institutions to ensure that the assessment of nonmandatory fees is coupled with a strategy to ensure that those surcharges do not become a barrier of disproportionate size to low-income students, perhaps by linking their ability to raise their in-state undergraduate tuition prices where such practices threaten to reduce affordable access to such programs disproportionately.

Appendix: Peer Groupings

For the purposes of financial comparisons, we grouped public institutions nationwide by 2021 Basic Carnegie classifications, which are the most recent classifications available in IPEDS. Table 4 shows how each Tennessee institution was classified, as well as the number of non-Tennessee peer institutions used for comparison. Please note that the University of Tennessee Health Science Center and other standalone medical schools & centers are excluded.

Table 4. Peer Institution Groupings

Tennessee Institutions	Peer Group Name	Number of Peer Institutions (2023)	2021 Carnegie Classification(s)
• University of Memphis • The University of Tennessee-Knoxville	Public Research - R1	105	• Doctoral Universities: Very High Research Activity
• East Tennessee State University • Middle Tennessee State University • Tennessee State University • Tennessee Technological University • The University of Tennessee-Chattanooga	Public Research - R2 and Other Research	116	• Doctoral Universities: High Research Activity • Doctoral/Professional Universities
• The University of Tennessee Southern • The University of Tennessee-Martin • Austin Peay State University	Public Master's, Bachelor's, and Other Four-Year	347	• Other colleges and universities that award at least 25% Bachelor's and Graduate degrees.
• TBR Community Colleges • TCATs	Public Associates and Other Two-Year	1,003	• Degree-granting colleges and universities that award less than 25% Bachelor's and graduate degrees.